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THE ROLE OF GUANXI
IN
CHINESE POLITICS

by

Claudia S. Butler

December, 1994

Thesis Advisor: Claude A. Buss

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The second is the importance of guanxi or personal relations, and what part these networks play in creating and maintaining power.

Finally, a case study of piracy or smuggling in the South China Sea examines the bureaucracies involved and how guanxi has been factored into their policies and procedures.

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THE ROLE OF GUANXI
IN
CHINESE POLITICS

by

Claudia S. Butler
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B.A., San Francisco State, 1977

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ABSTRACT

This thesis addresses the problem of guanxi or personal relations as a fundamental factor in the exercise of power in China. My research follows two lines. The first is the role of the bureaucracy - the primary source of political power - in the traditionist, Maoist, and Dergist eras.

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EXECUTIVE SUMMARY

The economic opening of China has increased interest but not necessarily understanding of The Middle Kingdom. Chinese concepts of political power and its purpose, the roles of law and business, are fundamentally different from Western notions. Chinese formulations must be appreciated if we hope to co-exist.

This study surveys the traditional sources of political power in China - the emperor's role as the omniscient and good father, the bureaucracy's stress on ideology and morality, and the role of guanxi (personal relations) in binding the country into a web of overlapping and competing networks. The second purpose is to examine two growing sources of power, law and wealth, and their impact on traditional concepts.

The development of communist power and the role of the bureaucracy under Mao are examined through the social campaigns designed to foster dependency on cadres and destroy the traditional guanxi relationships. Five additional campaigns, four of which were specifically directed at the bureaucracy, show the relationship between the elite and the cadres. This relationship follows the traditional lines of subservience to those in a superior position hierarchically, and arbitrary consideration of those below. It also underscores the primacy of the state over the individual.

The Great Proletariat Cultural Revolution largely destroyed the CCP's traditional right to rule - its legitimacy. Deng Xiaoping's sought a new foundation for legitimacy. He promoted economic modernization and the rule of law. Clearly, the rule of law has not been internalized by the masses, who rely on particularistic ties for security. However, much of the population is better off economically and the opportunities to grow wealthy has diverted the population from other concerns. Elite issues, such as legitimacy and political power are left to the elite. The population is passive or restive based on economic conditions, and only then are they concerned with policy. Much of the population is more interested in adjusting to things the way they are, with their iron rice bowls and perks, than in advancing modernization. Guanxi is the best weapon at their command.

The case study on smuggling is presented to examine the success Deng has had in fostering notions of the rule of law in those he seeks legitimacy from. It also presents

a picture of a leadership largely unaware or disinterested in the consequences of their policies, not only in terms of how the Chinese will respond, but the international impact. The leadership's solipsistic view entitles them to use "quanxi" to their hearts content and isolates them from all but the strongest external forces.

Finally, the opportunity exists for the Chinese to change their own notions regarding what international standards need to be internalized. The challenge is primarily economic, beginning with contract law. But if China is to achieve its desired status as a great power it will have to sacrifice some of its cherished practices to accommodate generally-accepted international norms.

I. INTRODUCTION

The economic transformation of China has increased our interest in, but not necessarily our understanding of, China. The concepts of political power and its purpose, the roles of law and business, are fundamentally different in China from Western societies. Underpinning all of these social interactions are personal relations, which are the foundation of every type of exchange in China.

This study surveys the traditional sources of political power in China - the role of the emperor, bureaucratic position and guanxi (personal relations), and their impact on modern day concepts of power. The second purpose is to examine two growing sources of power, law and economic wealth, and their impact on the bureaucracy and guanxi.

It then assesses the consolidation of power and the growth of the bureaucracy under Mao which are viewed through campaigns designed to encourage dependency and destroy guanxi relationships. These campaigns, four of which were specifically directed at the bureaucracy, show the relationship between the Chinese Communist Party elite and the bureaucracy upon whom they depended to execute their policies. This relationship led to disaster because the elite wanted too much and the party bureaucrats were unable to deliver. Concern for the masses gave way to the imperatives of survival for both elite and bureaucracy. The old fashioned system of guanxi turned out to be indispensable.

The major questions this study asks are "Who has power," "how did they get it," "what is it used for" and "has the Deng regime affected traditional notions of power?"

Although the bureaucracy is a major focus of this paper, this is not a study of bureaucratic politics and the incremental changes, bargaining, achieving consensus, side deals, and such that go into policy formation. This is a study of the prerogatives, entitlements and penalties associated with bureaucratic status and the devices resorted to by the bureaucrats themselves.

Bureaucratic politics was of little concern to the CCP elite during the early years of Mao's reign, when support from the people was strong and the way to achieve goals clear. But as the regime experienced policy failures, leaders grew impatient with the

growth of the economy and the ideological backsliding of the bureaucracy. As "regular" procedures failed, "guanxi" became more essential.

The bureaucrats quickly learned that their ideas, insights, experience and criticisms were not welcome; that what was expected was unquestioning loyalty expressed through obedience. They dared not initiate changes to fit circumstances without fear of accusations, loss of position and perhaps physical punishment. Nor was honesty rewarded. It was far better to give the answer wanted than admit failure. With this abdication of responsibility, the elite grew increasingly critical of the bureaucracy's performance and isolation from the masses, setting the stage for campaigns directed at their performance and them personally. The final step taken by Mao to rectify the bureaucracy was the purge of the Party elite. Rectification was no guarantee of security for the bureaucrats themselves.

They had no compass for success or survival. There was no telling which deeds would result in what the Chinese call "being sent down" or which displays of zeal would culminate in a purge, as programs shifted rapidly from one contrary goal to another.

Safety lay in inaction and outward conformity; a willingness to accuse and sacrifice those around you, including family members, was a necessity. The ability to cultivate a network against the day of denouement was a must. This was and is true today, from the lowliest cadre to those at the apex of power. In such circumstances as these, "guanxi" became just as important in contemporary China as it had ever been in the heyday of the Chinese emperor.

A. AREA OF RESEARCH, QUESTIONS AND ASSUMPTIONS

Two sources of power are examined in this paper. The first is formal, bureaucratic power, traditionally represented by the emperor, his inner circle, the mandarins who create the laws of the land, and those who are relied upon to execute those mandates throughout the country. The functional equivalents in the People's Republic of China (PRC) also are examined.

Concurrent with bureaucratic power is guanxi, the personal relations that are the locus of power. There are many types of guanxi, but this paper focuses on the patron-

client relations necessary to get ahead politically and economically in traditional and contemporary China.

B. ORGANIZATION AND METHODOLOGY

This thesis will compare the past and present in an attempt to understand the intersection of formal bureaucratic procedures and guanxi in creating and maintaining political power in China.

Following this historical comparison is a case study examining the CCP's ability to direct its own bureaucracies in combatting smuggling, and the impact of guanxi on the laws handed down by Beijing.

The evidence clearly shows that under Deng there has been an increase in special interest groups outside the bureaucracy and a proliferation of personal relationships that influence political decisions. These influence groups and informal relationships must be taken into account as foreigners try to estimate the real rate of progress China may be making in adopting international norms and promoting their own best interests in dealing with China and the Chinese.

II. DEFINING GUANXI

This chapter will define guanxi and its traditional role in Chinese society.

Guanxi is a set of particularistic ties, a personal network of relations based on family, school, or workplace ties.[1] The basic philosophy underpinning guanxi is that personal relations will do more for you than the legal system, and that if the correct formulae are followed, short term relations can be developed with almost anyone of the same hierarchical position. Thus, everyone is constantly engaged in developing their personal connections and in looking for a common bond.

These personal relations were not based on a material quid pro quo. They were based on loyalty. Material rewards or position were exchanged for the status accrued to the provider and the expected loyalty in times of trouble.

> In China... loyalty means sticking by a relationship even when the bonds are harmful, because to break the ties would be to cause greater damage. One person supports another through thick and thin since to do otherwise might cause great mischief and chaos, which would be self-destructive.[2]

A. THE TRADITION OF GUANXI

In Confucian China, kinship was the most binding tie. Loyalty to the family was inculcated in the home. People were absolutely dependent on the family for their identity and survival in an impoverished rural existence. The resulting intense loyalty to the family and group created an "us versus them" mentality, based on the fear that other groups had better ties and thus better access to protection and scarce goods.

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[1]Frederick Teiwes, "The Establishment and Consolidation of the New Regime, 1949-1957," in Roderick MacFarquhar ed., The Politics of China 1949-1989, (Cambridge University Press, 1993), 39.

[2]Lucien W. Pye, Asian Power and Politics: The Cultural Dimensions of Authority, (Belknap Press, Harvard, 1985), 297.

However, any given family might not have had members who could guarantee survival. Limited trust was therefore extended to those who had the right credentials. Thus,

> qualified trust could best be based on associations, which were somehow analogous to the family relationship. Trust could therefore arise from shared association, essentially ascriptive in nature: hence a strong Chinese expectation that people of the same place or even the same province, and people from the same school, or better still, the same class, would be mutually supportive... Politically, this meant not only that individuals with shared associations could seek special consideration from one another, but also that others could predict, on the basis of general knowledge, who had a special relationship with whom.[3]

Ties develop from a need for protection from arbitrary law enforcement. Indeed, the purpose of law was to reinforce hierarchical obligations and state rights. Confucian based law centered on spelling out the duties one owed superiors and state. There was little individual or group protection outside of the network.

B. DAILY LIFE

The Chinese tend to believe that the special ties of guanxi are always at work.[4] Belonging to a network was part of a person's identity. Seeking better relations was a constant endeavor. Association membership, who you married, and myriad of other concerns were made to improve the network.

Fundamental to relying on networks rather than law for protection was the sense that everyone else might have better ties. This often led to the creation of factions - "them" - within any given group. Attacks were usually indirect for fear of not having the power to eliminate a rival. There was constant competition for new members. The loyalty of members who were outside the family could prove illusory. The best laid plans and

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[3]Ibid, 71.

[4]Ibid, 293.

hard work could be upset by someone who had a family or network member better placed.

C. GUANXI IN ACTION

It is understood that under some circumstances equals may require assistance. Those with fewer possessions could press those who were better off for favors. This did not undermine the equality between them or imply subservience, which is a hierarchical concept.

> In a guanxi relationship, one party can repeatedly press for favors.... Since a core element of guanxi is not reciprocity but a particularism, and since guanxi can quite properly be used for material advantage, a party seeking benefits can repeatedly ask for favors from the more advanced party without making any explicit sacrifices in return. It is only necessary for the party seeking the favor to appeal to established rules of propriety and to try to shame the other into acting for him.[5]

Yet another element of guanxi was uncertainty as to whether or not a tie was strong enough to bind in routine transactions.

> There is no guarantee that in any particular situation the individuals involved will recognize that they should be bound by guanxi obligations... The Chinese is often uncertain as to whether another will respond positively to the evoking of guanxi. There is always the possibility that the other party will "look the other way."[6]

D. FAMILY POWER AND THE LOCAL BUREAUCRACY

Networks were developed as a hedge against the gentry's power and were the family's leverage with the local gentry as well as other families. Connections within the bureaucracy was the only means of possibly escaping the arbitrariness of the state. The

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[5]Ibid, 295.

[6]Ibid, 294.

gentry, in turn, developed networks of clients as well as relations with those above themselves, and so on, up the bureaucracy.

At times these networks became very powerful and threatened to become an "independent kingdom," that could counter the authority of those above and even subvert the state's rights in a locality.[7] If the independent kingdom was weak it was crushed, if it looked too difficult to crush, it was ignored. Thus, powerful local networks constantly pushed for decentralization to maximize their own power, held in check by nominal fealty and the fear of chaos.

E. FACTIONAL POWER

Because harmony was the stated goal of holding power, the appearance of consensus was necessary. However, politics was about people rather than programs. Getting ahead in the bureaucracy depended on who you knew and managing personal relations rather than technical skills. Factionalism was the inevitable outcome when those at the top were attempting to increase their leverage with the emperor, place network members in the bureaucracy, and collect squeeze.

> Power in traditional and Leninist Chinese society did not trickle down to the citizenry but rather migrated into the hands of a few powerful patrons at the top and produced dictators at the apex. As a result, the bureaucratic system was managed primarily so as to maintain and expand the power and privileges of the bureaucratic elite and to distribute the perquisites of power within the bureaucracy.[8]

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[7]Dittmer states: "an actor (particularly one who has enjoyed long tenure in a particular office) may have taken advantage of his powers of patronage to appoint his cronies to positions under his aegis; the result is extensive overlap between his bureaucratic constituency and his informal power base. The Chinese call this an "independent kingdom"...wherein the coincidence of bureaucratic interests and informal loyalties is "so tight you cannot stick a pin in." Even without evidence of opposition, formation of an independent kingdom constitutes prima facie cause for purge. Lowell Dittmer, "Bases of Power in Chinese Politics," World Politics, (October 1978), 35.

[8]Carol Lee Hamrin, China and the Challenge of the Future, (Westview Press, Boulder, Colorado, 1990), 21.

To move ahead required selection by a higher placed patron. Who you knew and the value of your personal network became increasingly important the closer one got to the center of power.

> There is thus in the Chinese political system a profound contradiction between the doctrine of legitimacy, which required consensus and no special relationships, and the informal pattern of behavior, in which people do seek out factional ties. The need for such ties becomes greater as the higher officials advance, for as they approach the heights of power they are likely to feel increasingly vulnerable and to need the protection of patrons.[9]

Factions allowed bureaucrats to create their own circumstances, to undermine other factions and move in when the emperor decapitated a network. They also provided support when leaders considered challenging each other. A powerfully placed network could prevent challenges from arising and fend off those who attempted to eliminate them. One never knew who had the most powerful network until put to the test.

> This element of uncertainty allows the guanxi networks to remain latent and passive, needing to be triggered into actual power constellations by some initiative, usually by an official who feels insecure. Thus, while objective factors are presumed to be the basis of guanxi relationships, the actual operation of guanxi as a power factor can be quite subtle and thus may seem to be devious, if not conspiratorial.[10]

Guanxi was vital to political survival, when success or failure often depended on the ruler's whim and subterfuge rather than defined norms of lawful behavior. Networks were a source of power outside legitimate (bureaucratic) channels, even when made up of bureaucrats. Yet the linkage between personal networks and survival militated against forgoing forming independent kingdoms, which were constantly being created.

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[9]Pye, 190.

[10]Ibid, 294.

F. CONCLUSION

Everyone was born into a network and was guided throughout life by an "us versus them" mentality in a society that lacked laws and resources. These were not patron-client ties, which could be sundered when a patron proved unable to deliver benefits or needed a scapegoat. They also differed from bureaucratic ties, which provided limited loyalty to who ever was at the apex of the bureaucracy. These ties were not goal oriented outside of increasing the material well being of the members and amassing the strength to withstand attacks from any source.

III. CONFUCIANISM AND THE ROOTS OF POWER

A. CONFUCIANISM AND THE STATE

In most countries there are several sources of legitimate power which impact political decision making. Elites within a church, the military, landowners or the business community demand consideration in the policy making process. These elites may be co-opted and become supporters of the regime, or they may be oppositional and resist a regime. In either case, the government must acknowledge their existence.

This has not been the case in China. For over two thousand years the bureaucracy was the preeminent holder of political power, in alliance with the emperor.

> Chinese society in its entirety came to be hierarchically organized in an empire, and this empire-society was understood by its members to be universal....No autonomous political domain, no body politic, no state was acknowledged to exist in contradistinction to society.[11]

Politics, the act of joining with like minded people to forward a position, was viewed in China as an attempt to establish an "independent kingdom," an illegitimate challenge to the emperor's absolute authority. To advance a program was viewed as self-centered, an attempt to destabilize society, and therefore immoral.

> Politics, for all its pervasiveness and its historical importance, was made illegitimate and even criminal, and it must be studied with this fact in mind.[12]

The purpose of government was to maintain peace, stability and the status quo. Political aptitude was not measured by innovativeness, problem solving or technical ability. Aptitude was measured by how well one knew the state ideology - the moral teachings of Confucius - in the belief that learning about morality would make one moral. The state

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[11]Romeyn Taylor, "Chinese Hierarchy in Comparative Perspective," Journal of Asian Studies, (August 1989, vol 48), 493.

[12]Ibid, 500.

and bureaucracy proclaimed "a set of official values that would regulate all social relationships, with rule conceived of as much in terms of preaching and setting moral examples as of administration."[13] The exception was the emperor, who often was the antithesis of Confucian civility.

The Confucian world view held that the emperor received the Mandate of Heaven.

> ...their sanction to rule came from a broader, impersonal deity, Heaven, whose mandate might be conferred on any family that was morally worthy of the responsibility. This doctrine asserted the ruler's accountability to a supreme moral force that guides the human community.[14]

Mankind was educable and perfectible, and good (educated) men governing equated to good government. Civil law was unnecessary; good men should not be bounded by impersonal legal considerations, but given leeway to provide justice as circumstance dictated.

Confucianism was overlaid onto the existing Legalist political view which assumed that, in Charles Hucker's words, men were "amorally self-seeking" and would have to be "coerced into obedience by rewards and punishments."[15] The Legalists supported the use of incentives and punishments or force to keep people obedient. The Confucianists believed that if the emperor set a good moral example, people would voluntarily support the emperor. Fairbank points out that: "Legalism was liked by rulers and Confucianism by bureaucrats."[16]

Until Confucianism became the dominant political ideology during the Warring States period, Confucianists were primarily concerned with guiding the ruler's conduct and

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[13]Martin King Whyte, "State and Society in the Mao Era," Perspectives on Modern China, eds. Kenneth Lieberthal, Joyce Kallgren, Roderick MacFarquhar and Frederic Wakeman, Jr., (M.E. Sharpe, Inc., New York, 1991), 255.

[14]John King Fairbank, China: A New History, (Belknap Press of Harvard University Press, Cambridge, Massachusetts, 1992), 40.

[15]Harry Harding, Organizing China, (Stanford University Press, 1981), 30.

[16]Fairbank, 62.

ensuring he performed the correct rituals, that he maintained the country's harmony with nature.

But once the Confucianists showed their value in advising and guiding the emperor they expanded their role, eventually holding a monopoly on political thought. Confucianism was institutionalized in the state schools that all bureaucrats attended. Confucianism was intolerant of ideological challenges, but flexible enough to accommodate foreign rulers, and its bureaucratic practitioners survived.
"While dynastic changes were effected through rebellion or invasion, the form and substance of government remained essentially unchanged."[17]

Besides guiding the emperor, bureaucratic duties included extending state power to the point where independent kingdoms at the local level would not rise. They were to ensure local aristocrats did not create their own armies and challenge the emperor. This came to mean thwarting any alternate source of power from emerging outside the monarch-bureaucracy alliance, with the goal of total dominance over what was acceptable behavior.

As Arthur Wright phrased it,

> the literate elite ...had entered into an alliance with the monarchy. The monarch provided the symbols and the sinews of power: throne, police, army, the organs of social control. The literati provided the knowledge of precedent and statecraft that could legitimize power and make the state work. Both the monarch and the literati were committed to a two-class society based on agriculture.[18]

The Chinese way to achieve this two tier system was to organize everyone hierarchically and instill a value system that made loyalty to superiors the supreme duty. The Five relations were the basis of inferiority and superiority in the family hierarchy. The ideology stressed that if each person did his duty there would be peace in the home and society

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[17]James C. F. Wang, Contemporary Chinese Politics, Fifth Edition, (Prentice Hall, New Jersey, 1992), 7.

[18]Fairbank, 67.

would be well ordered. To act in opposition to the established norms was viewed as corrupt and selfish.

> Society was conceived of as a vast human hierarchy in which each individual had a place, with interpersonal ties to parents, children, siblings, teacher, students, employers, employees, and so forth knitting the hierarchy together and providing solidarity and constraints.[19]

There was no concept of plurality. Everyone was expected to accept the needs of the state and subordinate individual concerns. However, the state did not have the means to enforce its desire for total domination. Secret societies, voluntary associations and religious orders all made claims on parts of the populace.

B. MAKING THE TRADITIONAL SYSTEM WORK

Although Confucius wanted merit as the main criterion for selection to the bureaucracy, it quickly became to preserve of the wealthy, which usually meant landlords. Only they could afford to send their children to school to study the classics. Bureaucratic position essentially became hereditary.

The size of the bureaucracy, handed down on tables of organization, did not greatly expand with the growing population. To control the population a magistrate had to form an alliance with the lower, local gentry, the degree holders and land holders who were out of office. The gentry served as public functionaries, playing political and administrative roles.

As middlemen, the gentry collected the taxes, mediated disputes, and attempted to fend off the worst demands of the upper bureaucracy. They provided the peasants for corvee labor and ensured that local problems were kept local. As middlemen, they extracted "squeeze" from every transaction between the magistrate and those below. Bureaucrats were not expected to live off of their salary, but to work out payment rates, at whatever their patron-client relationships would bear. Their aspirations were to move up in the bureaucracy and to ensure network members did likewise.

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[19]Whyte, 255.

C. ALTERNATE SOURCES OF POWER

1. The Military

Confucianism was a moral code devoted to ensuring the luan (chaos) of the Warring States period never reemerged. It held that government should be based on the family model, where the father was the rule-giver and disciplinarian, omnipotent and superior in his own household. Like a household, the government should be devoted to maintaining tranquility rather than programs. Confucianists believed that cultural superiority rather than miliary superiority was the true measure of greatness.

The military was viewed by the civil service as a force of chaos as well as an independent (illegitimate) source of power, controlled by the emperor. So great was the bureaucracy's distrust of the military that it was not a recognized career in Confucian China (scholar, farmer, artisan and merchant).

However, new dynasties were created on the backs of the military, and to maintain rule an emperor required the means to be ruthless. He personal inner circle, his family, tribal noblemen, troops and personal entourage were not answerable to the bureaucracy.

> Perhaps we can discern a certain division of functions between these two complexes....Imperial autocracy was a necessary counterpart to bureaucratic administration. It could be nonroutinized, autonomous source of innovation or sudden intervention. It was naturally unpredictable, often ruthless, potentially disastrous. In the well-organized Confucian order the emperor functioned both at the apex of the structure and yet at the same time represented in its highest from the principle of violent disorder. He was, for one thing, the great executioner.[20]

Within a couple of generations of the founding of a new dynasty military men outside of the emperor's personal entourage usually lost whatever wealth and position they had been awarded for successful conquest. Peacetime generally meant destitution for warriors. So while brute force played its part in ruling China at the apex, the country relied on the lower gentry's ability to raise armies when the state was threatened with invasion. Diplomacy was used to the largest extent possible to substitute for a permanent military.

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[20]Fairbank, 111.

> Dealing with [such] "rebellious" behavior by barbarians, especially militarily powerful ones, was a major diplomatic problem for traditional China. Chinese statesmen displayed considerable flexibility in dealing with such problems, resorting to such means as payments of money, indoctrination via cultural-ideological means (sending Chinese wives or advisors to foreign rulers, for example) maneuvering one barbarian state into conflict with another, or simply accepting the barbarian's refusal to perform prescribed rituals while recording that the necessary acts had, in fact, been performed.[21]

Emperors frequently hired mercenaries rather than maintain a military. Thus, the military force was kept in check as long as those tempted to contend for power could be bought off.

Of course there were major drawbacks to having a weak military. From 1274, when the Mongols invaded, to 1949 when Mao consolidated his empire, China did not have a Han emperor. The bureaucracy's detestation of a source of power they could not control was irreconcilable with protection of the country.

2. Religious Power

Religious challenge to state power was never serious. The Buddhists managed to acquire vast land holdings by recruiting members from the elite from ca. 500-900. But Buddhist monasteries taught the Confucian classics and their exams were administered by the Ministry of Rites, just like the Confucian exams. Nevertheless, despite their conformity, preventive measures were taken. In the ninth century they were persecuted and their land was taken.

3. Merchants

Like the military and the religious, a merchant or business class did not rise to challenge the bureaucracy's claim to be the sole instrument of the state's power. Merchants were looked down on in Confucian society, because profit represented selfishness - looking out for oneself instead of for the whole.

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[21]John W. Garver, Foreign Relations of the PRC, (Prentice Hall, New Jersey, 1993), 13.

> A goal openly pursued in many parts of the world, high income and material well being, could be pursued only surreptitiously in China...[yet] increased income could be obtained only as a byproduct of advancement in the power or skill hierarchies.[22]

Landowners did not have any kind of protection under the law. Only personal relations with officials could intervene in determining how crops were divided up, water was shared, etc.

> The gentry family's best security lay not in a sole reliance upon landowning but in a union of landowning with official prerogatives. Family property in itself was no security, but officials who were family members could give it protection. Thus, the gentry class, as an elite stratum over the peasant economy, found their security in land and office, not in trade and industry. Between them, the gentry and officials saw to it that the merchants remained under control and contributed to their coffers instead of setting up a separate economy.[23]

Between the Confucian denigration of business, the ever-present bureaucratic oversight and the requirement to pay squeeze, most people preferred to lend money to peasants at usury rates than to attempt capital formation or innovate.

4. The Peasantry

Most of the rural population, owning tiny plots of land or working as tenant farmers, gave no thought to power and ideology. They were just trying survive in a system where the state took between 6 percent to 8 percent of what they produced, and the bureaucracy in between took 50 percent to 75 percent. Survival was determined by nature (the emperor performing proper rituals) and the greed of those above them. When conditions became intolerable, coupled with military rebellion, the peasantry rose and helped overthrow the emperor.

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[22]Michel Oksenberg, "Getting Ahead and Getting Along," Party Leadership and Revolutionary Power in China, in ed. John Wilson Lewis, (Cambridge at the University Press, 1970), 318.

[23]Fairbank, 181.

> In the course of these struggles, individual strongmen and upper elite members often formed loose coalitions and factional alliances based on kinship, subethnic status, and hometown, educational and institutional ties. Such struggles often expanded into group conflicts involving large numbers of peasants when elite protagonists appealed to kinship ties and local pride, invoked official status and institutional position, or simply disbursed large sums of money to mobilize mass followings.[24]

D. ROLE OF THE EMPEROR

> It is simply inconceivable to Chinese leaders that diversity and a pluralistic power structure might produce more creativity and faster modernization. In Chinese culture single-mindedness is an unquestioned virtue.[25]

Victory was the criterion for receiving The Mandate of Heaven and being emperor. But the battlefield was not the primary place where victor and vanquished were determined. Succession was determined by who was strongest. As often as a son succeeded his father, a brother challenged his sibling and overthrew him. This meant that the most complete way to ensure power was fratricide.

From the outset, the emperor was not bound by Confucian laws regarding loyalty to the family as the most sacred duty. He had probably used his power over life and death to become emperor, and recognized its utility to maintain his position.

An emperor's son, brought up by palace eunuchs, was born into factionalism. Each son had his own palace network of eunuchs, dedicated to ensuring he became emperor. To lose in the contest usually meant elimination of the entire network. Thus, power in the palace was concerned with feuds, loss of face, enforcing subordinate-superior relationships and revenge.

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[24]Stephen C. Averil, "Party, Society and Local Elite in the Jiangxi Communist Movement," Journal of Asian Studies, (May 1987, vol 46), 281.

[25]Pye, 189.

> Power was not to be sought in order to defeat others. But precisely because Chinese political culture denied legitimacy to overt power-maximizing, both social and political relations were rife with devious strategisms and ploys, and power was based on hypocrisy.[26]

The important thing was to recognize opportunity and have the most powerful network when the chance for power appeared.

The emperor was an autocrat, without legal limit to his power. He was expected to administer punishments and rewards. The emperor was expected to act in a superhuman way, to underscore his Mandate. Human error could upset the harmony of the universe. Nature, through natural disasters, offered its own commentary on the emperor's right to rule. There were forces beyond understanding or control that exerted an influence over power. Power was viewed as being largely beyond human control. The Mandate could be taken at any time.

> So great was the dynasty's dependence on its moral prestige that its loss of "face" in certain instances might set in motion a process whereby the ideology, as it were, turned against the regime and hastened its downfall. Once the literate who set the tone of ruling-class opinion became convinced that a dynasty had lost its moral claim to the throne, little could save it. This is a factor in Chinese politics today.[27]

E. BUREAUCRACY

The ruler, with the capriciousness and violence of absolute power, was wed to the literati, dedicated to maintaining peace and the status quo. However, this was not a friendly alliance but an alliance of necessity for both parties. The emperor's reliance

> was usually limited to revolutionary periods when an emperor or other leader was in the process of assuming leadership. Once the leader came to

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[26]Ibid, 72.

[27]Fairbank, 48.

power, the relationship quickly changed from reliance to distrust and mistreatment of intellectuals.[28]

There were two levels of bureaucrats: 1) those at the capital who held positions in the official tables of organization and made laws, and 2) those away from the capital who formed the lower gentry at the local level and carried out the laws. The former numbered about 40,000 during the Qing dynasty; the latter 1.25 million in a country of over 400 million.

Those in office (mandarins) usually had additional education and were the law makers. The non-office holders executed the laws. Both groups were necessary to ensure stability in the vast uneducated population.

The lower gentry set the tone of village life. They arbitrated local disputes, an essential job since there was very little civil law.

As the population grew, the lower gentry became essential to governing the country. The magistrate (office holder) could only carry out his duties with the cooperation of the lower gentry. Although magistrates could interfere whenever they wanted, the local pyramid of power usually managed all local interests. It was therefore possible for "independent kingdoms" to emerge. Officials articulated group interests, and competed with each other in secrecy.

If an official "represented" a strong network, he developed leverage with his superior, who had absolute power over him.

The upper elite - mandarins, located primarily at the capital, took seriously their role as ensurers of the status quo. They were concerned with setting a good personal example and promoting their families' well being. They recognized that the fewer constraints there were on the emperor's power, the more they needed extra-legal means to maintain their position. This meant devoting themselves to the emperor and creating their own networks, rather than formulating policies and programs.

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[28]Leo A. Orleans, "Social and Human Factors: An Overview," in China's Economic Dilemmas in the 1990s, Leo A. Orleans ed., (U.S. Government Printing Office, Washington, D.C., 1991), 231.

> In China, the Confucian legacy upheld the ideal that authority could be, indeed should be, an end in itself. Power was used simply to set an example or moral rectitude so that the conduct of all individuals would be exemplary. In this way virtue would be upheld and the consequence would be a peaceful, harmonious society rather than a society mobilized for grand purposes or mundane problem solving. Politics should be solely a matter of ethics, not the use of power to maximize values.[29]

There was constant conflict between duty to the family and duty to the state, with the family usually winning. In practice,

> Chinese politics, like all politics based on family and clan, became a question of taking care of one's in-group and opposing all out-group factions, and hence politics was characterized by feuds rather than by programs.[30]

However, most mandarins took their duties seriously, believing that peace depended on their performance. They had usually spent years, if not decades, studying for their exams, and were held up for constant scrutiny by their superiors and peers.

> If officials performed poorly, the probationary ethic required not only that they accept punishment from their superiors, but also that they confess to their misconduct and seek to redeem themselves through exemplary behavior.[31]

The peer pressure was intense, and the family depended on its bureaucratic members for position, protection and wealth. According to Fairbank,

> the bureaucracy lived by what Westerners would call systematized corruption, which sometimes became extortion. This took the form of "gifts" to maintain personal relations with superiors, colleagues and subordinates. The amount of the gift was not specified, being part of the

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[29]Pye, 56.

[30]Ibid.

[31]Harding, 19.

> man-to-man bargaining that pervaded Chinese life. Nepotism further supported the "squeeze" system. Even classic texts extolled duty to family, and particularly filial piety, as superior to any duty to the state. Thus, the interest of the imperial administration at the capital, which needed the sustenance of revenue from the provinces, was constantly in conflict with the multifarious private interests of all the officials, each of whom had to provide for his relatives and his further career.... In China, corruption has remained longer into modern times an accepted bureaucratic institution, unashamed and unafraid."[32]

These private interests were the real basis or power in China: Guanxi.

[32]Fairbank, 182.

IV. THE CCP BUREAUCRACY AND GUANXI

> In China, organizational policy has occupied a prominent place on the political agenda ever since 1949, fully comparable to the place assigned to the issues of national security, economic development, and social welfare.[33]

The Chinese seem obsessed with minutely detailing each person's relationship to each other and their place in society as a whole. There is an assumption that knowing someone's place in the system provides other insights, such as political reliability and motivations. "The system of ranks is thus extremely important to the way the Chinese view and handle each other, both formally and informally."[34] The CCP, as did rulers before them, provides a bureaucratic framework for obtaining scarce resources and promoting network members. Turf must be jealously guarded at all levels and network members routinely cultivated to increase the size and depth of a network and to withstand onslaughts from others striving to get ahead.

This chapter examines the communist bureaucratic roots of power, both Party and governmental, and the relationship between the two.

There is often confusion as to whether the Party or the government is enacting or executing a particular policy. The amount of power each can exercise is fluid, although the government has never had the upper hand. Whenever the country is running smoothly the CCP allows the government a greater range of options to determine policy. Those at the highest levels of power are not forfeiting any power, but wearing a different hat and appealing to a different bureaucracy to enact their agenda. The division of authority between the two is that the CCP sets the agenda and the government carries out the day to day administration of the country for the CCP, which the Party is not staffed to do.

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[33]Harry Harding, Organizing China, (Stanford University Press, Stanford, California, 1981), vii.

[34]Kenneth Lieberthal and Michel Oksenberg, Policy Making in China: Leaders, Structures, and Processes, (Princeton University Press, 1988), 147.

> Most high level officials actually have three formal ranks: their formal government and/or Party title; their civil service grade; and their position in the Communist Party. These together determine their real stature when they deal with others.[35]

Mao established the precedent of the ultimate power wielder withdrawing to the "second line," where he could concentrate on running the Party and national grand strategy, while the "first line" Liu Shaoqi (demoted in August 1966 from number 2 to number 8 in the Party and placed under house arrest in 1967), General Secretary Deng Xiaoping (sent down in 1967), and Premier Zhou Enlai (maintained his position until his death in 1976) actually handled the day-to-day management of the country. In the 1990s the "second line" power is exercised by a clique of Long Marchers who do not have any positions on an organizational chart.

This clique is not necessarily in agreement as to how to run the country. Thus, the members of the Standing Committee frequently are in opposition, as decreed by their patron-client loyalties.

A. CCP BUREAUCRACY

> The Chinese Communist Party (CCP) is the source of all political power and has the exclusive right to legitimize and control all other political organizations. The CCP alone determines the social, economic, and political goals for society.[36]

Nominally, the **National Party Congress** has supreme authority within the CCP. Members are elected by provincial Party Congresses, who are provided a list of names by the Central Committee to choose from. Since 1982 there have been more candidates than positions, providing them a means of indicating some preferences. A percentage of seats is usually reserved for military representation (14 percent at the 1992 Congress).

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[35]Ibid, 145.

[36]James C.F. Wang, Contemporary Chinese Politics, fifth ed., (Prentice Hall, New Jersey, 1992), 67.

The Party Congress is supposed to meet every five years. The longest period without a meeting was 13 years. The agenda for the meetings is prepared by the Politburo and the Central Committee. The National Party Congress meets to discuss Party proposals, ratify changes to the Party constitution, approve Party programs and elect members to the Central Committee and the Politburo Standing Committee.

The Congress' size fluctuates. In 1992 there were 2,000 members, precluding real debate. However, a primary purpose of the Congress is to rally Party members and create the aura of mass participation in decision making.

The party constitution vests in the **Central Committee** (CC) the supreme power to govern party affairs and to enact party policies when the party congress is not in session.[37] It meets annually, and like the Congress, is too large to initiate policy, with 317 members in 1992 (188 full and 129 alternate members). The CC, like other Party organs, has undergone constant reshuffling as leaders have tried to pack it, cut its size to eliminate other factions or reward people outside the Party for faithful service.

The CC elects those who are at the apex of power - members of the Politburo, who act on behalf of the CC when the CC is not in session.

> According to the party constitution, the Central Committee elects members to the Politburo and its Standing Committee, but between 1935 and 1975 the actual selection rested in the hands of Chairman Mao....Franklin Houn points out that Mao followed a general set of guidelines in his selection of candidates to Politburo membership: seniority in the party, contributions made to Mao's own rise to power, and loyalty and usefulness to Mao and to the party.[38]

The **Politburo** consists of the 25 to 35 most powerful men in the country.

> The group is not defined only by formal position. Indeed, on occasion, some Politburo members are in sufficient political disgrace that they are not considered members of the top power elite even though they retain

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[37]Ibid, 72.

[38]Ibid, 74.

> formal ties. In addition to official position, then, membership in the top group stems from a combination of intangible attributes: one's standing with the preeminent leader of the country, the respect and influence one has with one's colleagues, the network of personal ties one commands in the country at large, and the attractiveness and seeming pertinence of one's ideas and vision.[39]

The day-to-day work of the Politburo is carried out by its **Standing Committee**. In many instances the SC, usually the top five or six leaders in China, makes decisions without consulting the Politburo.

The SC has the authority to make decisions on matters that do not change the fundamental nature of politics in China. But on issues of real importance, such as how to handle Tiananmen, the Old Guard steps in. Although without formal position, they hold the actual reins of power.

> In the spring of 1993, this leadership core is no longer solely the Standing Committee of the CCP's Politburo, although that body plays a very important part in political decision-making. But in decisions of major consequence, the now seven members of the Politburo's Standing Committee... usually follow the advice of seven influential veteran leaders in semi-retirement.[40]

Each member of the SC in beholden to one of these Long Marchers for his position. He will rise and fall depending on their prerogatives.

Active political leadership is provided by the Secretariat, the Politburo, its SC, and the General Secretary of the Party. In addition to the above, there are several subordinate apparati that are elected by the Central Committee and responsible to the Party.

The **Central Secretariat** is composed of under a dozen top members of the CC. Deng was its general secretary for over a decade and used his position to make many unilateral decisions. He was eventually accused of creating as independent kingdom,

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[39]Lieberthal and Oksenberg, 35.

[40]Jurgen Domes, "Who and What Comes Next in Communist China," Global Affairs, (Summer 1993), 125.

purged, and the secretariat eliminated. In 1982 the central secretariat was reestablished, with Hu Yaobang as general secretary. The secretary must be a member of the Politburo and the Standing Committee, from which overall direction emanates. "Members of the Central Secretariat, elected by the National Party Congress, can initiate and formulate policies on anything they wish."[41] The General Secretary is the presiding officer of the CC and handles the administrative and detail work of the party.

The Secretariat's work is carried out by the departments of organization, propaganda, united front work, liaison office with the fraternal parties abroad, publication office of the **People's Daily**, a policy research office, and the office of party schools.[42] Through this bureaucracy, the Politburo controls the execution of day-to-day party work from the central level down to the basic party groups that are established in every unit of Chinese society.[43]

The **Central Commission for Discipline Inspection** was created in 1982. Its functions include (1) maintenance of party morale and discipline; (2) control over the performance of party organizations; and (3) investigations of breaches of party discipline.[44] It reports to the Central Committee.

With economic growth, the commission's job of cracking down on party corruption has become impossible to manage.

> The commission identified three main problems in its work: party cadres' refusal to reveal their wrongdoing; party leaders' reluctance to report their subordinates, friends and family members for wrongdoing, and party leaders' habit of providing cover for their shady operations. Further, there

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[41]Wang, 75.

[42]Ibid.

[43]James R. Townsend and Brantly Womack, Politics in China, third ed., (Scott, Foresman and Co., Glenview, Illinois, 1986), 92.

[44]Wang, 77.

> were reports that the commission itself had developed a lenient attitude toward some offending party cadres.[45]

The **Central Military Commission** is the link between the elite in the military and the Party. It has been chaired by Mao and Deng until (1989). The military leaders refused to allow Hu Yaobang or Zhao Ziyang chair the committee, although they have allowed Jiang Zemin, after Yang Shangkun was relieved of his position, to chair. This commission controls the military through the army's General Political Department.

The **Central Advisory Commission** was created in 1982 in an attempt to get Long Marchers to retire. Although it was supposed to be a temporary commission with little power other than to advise, it still exists and influences policy.

B. STATE BUREAUCRACY

> The CCP controls and directs the complex system of government machinery. It is through the agencies of the government that the policies and programs approved by the party are implemented....all powers theoretically are vested in the central government and must be specifically delegated to local governments by the central authority....The governments in the provinces and local units generate constant pressure for decentralization by seeking to increase their discretional power over such local affairs as finances and allocation of resources.[46]

The **National People's Congress** (NPC) is the highest government organ. Members are elected by the provincial level People's Congresses, who are in turn elected by the County People's Congresses. Sessions generally meet for two weeks, annually at most.

Deputies can make suggestions, motions and criticize. Often seen as a rubber stamp because they are not a policy making organ, there has been an attempt to upgrade the quality of people to encourage debate. Their primary function is to symbolize the

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[45]Wang, 80.

[46]Ibid, 84.

regime's legitimacy and popular base, rather than to chart the political course of the country.[47]

When the NPC is not in session, its **Standing Committee** acts on its behalf. It has the power to convene meetings and conduct elections of NPC deputies. It can enact and amend decrees and laws in civil and criminal affairs, including those affecting the structure of the central government. It has the power to interpret the constitution. To maintain its independence, members of the SC cannot hold posts in any branch of the central government concurrently.

The **State Council** is the highest executive organ. Its inner cabinet is made up of the premier and vice-premiers.

C. GEOGRAPHY OF POWER

The "center" of power is Beijing, where all policy emanates. Below the center are the provinces and the largest cities, who operate as equals. This means any problems that arise between them must be arbitrated by higher authority. Because provincial governments are indispensable to ensure local governments execute the center's policies, they have leverage with the center, even though they lack key policy-making rights. Inevitably, they control a vast reach of personnel and administrative decisions that are beyond the routine oversight of the center.[48]

Below the provinces are the local governments which execute policy. Local governments are further broken down into counties, townships, villages and teams. In the urban areas people were divided into units as small as street, lane and work unit.

Provincial leaders had an incredible array of resources and independence once the country began to decentralize after the Great Leap Forward. The differential in power between the Center and these leaders is in constant flux. As the CCP lost its ability to govern, lower levels filled the vacuum, determined to increase their independence, wealth and authority and unilaterally interpret policy as they chose.

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[47]Townsend and Womack, 100.

[48]Ibid, 84.

Leaders at all levels do not feel constrained by their position on an organization chart. The bureaucracy has reorganized so frequently and been assaulted from both internal and external forces to the point that individuals are the hub of power, regardless of official position. These are the formal organs of power.

> China is held together by the formal structure of authority, by the networks of individuals bound by mutual obligations and loyalties who are embedded in the formal organizations....[49]

D. INDEPENDENT KINGDOM

> "As the late Chairman used to pontificate, a revolutionary leader is not appointed; he has to emerge from the struggle."[50]

Despite Mao's concise observation, emperors attempt to appoint their replacements. The qualifications appear to be a willingness to carry on the emperor's programs, and responsiveness to his dictates. Inevitably the designated heir falls short, either because he no longer agrees with his patron's programs (Liu Shaoqi), he wants to claim the mantle of power before the emperor dies (Lin Biao), or his own actions convince the emperor that he is no longer a worthy successor (Hu Yaobang and Zhao Ziyang). This is what Dittmer calls the "Don Juan" pattern of fickle succession arrangements.[51] The struggle to the apex requires broad and deep informal networks. "Factionalism" is a label applied to the vanquished by the victor to legitimize purging his personal network.

Political guanxi has two levels. The first is the connections one establishes through shared experiences with equals. These are the particularistic ties that develop from a shared army unit, shared teacher, or shared participation in an event such as war, that bind

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[49]Lieberthal and Oksenberg, 32.

[50]Parris H. Chang, Elite Conflict in Post-Mao China, (School of Law, University of Maryland, 1983), 23.

[51]Dittmer, "Patterns of Elite Strife and Succession in Chinese Politics," The China Quarterly, (September 1990), 429.

people. This network is generally not interested in promoting programs or policies, but in advancing each other's careers. Guanxi is

> the informal alliances established as one rises up through the bureaucracy by dint of prestige and qualifications. ...Informal power...rests on the ad hoc group of supporters that the Chinese call a "political base"...what Western scholars have referred to as a "loyalty system" or "informal group." This base consists of the long-term, diffuse, and relatively disinterested alliances that an actor collects along his recruitment path into the central decision-making arena.[52]

Another type of guanxi is patron-client ties. These ties supersede bureaucratic engendered loyalties and the law as necessary. However, they are not as strong as particularistic ties.

Patron-client networks tend to follow some shared political views, although routine policy making decisions can not be predicted by these ties. There is an inherent tension in this relationship. Both parties know a client will be sacrificed as necessary. Both know the client will eventually want to supplant his patron as boss. Both parties have other clients and patrons they must consider when making personnel and policy decisions.

> At the apex, the prior personal experiences of individual leaders and the need to think in tactical terms about an ongoing political game exert a major influence.[53]

Not only is there factionalism between various leaders, but leaders must constantly work to ensure their position within their own network. Mao relinquished too much bureaucratic power to Liu and Deng, allowing them to control appointments and formulate policy that benefitted their networks. He had to step outside the Party and use military force to regain his hold over the political system. Deng eliminated Hu Yaobang for suggesting the Long Marchers should actually retire, playing Zhao against him.

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[52]Lowell Dittmer, "Bases of Power in Chinese Politics," World Politics, (October 1978), 29.

[53]Kenneth Lieberthal and Michel Oksenberg, Policy Making in China: Leaders, Structures, and Processes, (Princeton University Press, 1988), 30.

But for the most part, both parties benefit from the relationship. The client has found protection and someone who will advance his career. The patron has an ambitious, talented client with a network that broadens and deepens his own. A patron attracts and promotes talented people throughout the bureaucracy against the day he is challenged, knowing one of the main charges will be that of creating an independent kingdom. A personal network that does not have deep roots in the Beijing bureaucracy cannot withstand a factional contest.

Success and failure are now largely outside the client's control. All he can do is work as hard as possible to promote his patron and develop his own following. To fail a patron in his time of need is to commit political suicide. The only hope is that by banding together the patron can fend off the challenge and remain in power. The alternative is usually the purging of the network.

What will actually trigger an attack is often unpredictable. Frequently political unrest or economic problems are used as a pretext for moving against a leader who represents an opposing faction. There is no telling what the pretext for elimination will be or the extent of the side-deals. The past is always open to examination when deals are being cut.

E. GETTING AHEAD

> ...Formal office remains a prerequisite to building a base, which is normally done by transforming those official connections acquired en route to ascending the bureaucratic hierarchy into a personal retinue.[54]

The competition for formal office is controlled by the octogenarians who are above the bureaucracy. It is impossible to achieve a high position without a patron placing you there. Although reluctant to appear to be pulling strings from behind the scenes, elite personnel decisions reflect power alignments within the "immortal" clique.

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[54]Lowell Dittmer, "Bases of Power in Chinese Politics," World Politics, (October 1978), 407.

> To uncover the actual flow of power it is necessary to look through the formal arrangements of authority to the dynamics of the informal relationships, which generate the substance of power that is ultimately decisive in determining political developments....the reality is that formal structures are given vitality largely through informal relationships, which usually are highly personalized , and make up the substance of real power in the society.[55]

There are several ways to attract their notice. Some, such as Zhao, create powerful provincial networks that are co-opted into the national arena. These clients do not always appreciate the summons to Beijing, but there is no way to refuse the call. Their loyalty to a patron's political agenda is always suspect, since they have their own independent clientele and policy goals.

Others rise purely on their connections and are expected to create networks once they are placed in the bureaucracy. Mishu are the best example of using connections to get ahead.[56]

A mishu is an aide or secretary to a leader (shouzhang). Loyalty rather than ability is the criterion for moving up. This is a means of circumventing the laborious climb through the bureaucracy, the climb that is necessary to develop a personal clientele. Thus, the mishu is unusually dependent upon his patron.

> In choosing his successor or promoting someone, a shouzhang will think of his own mishu before anyone else. Because his mishu is obedient to him, and will remain so after being promoted, power will actually remain with the shouzhang who would not feel so at ease if another person were chosen. Consequently, the shortcut into Chinese officialdom is to become a mishu. Indeed, children of high officials rush to the posts of mishu.[57]

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[55]Lucian W. Pye, Asian Power and Politics: The Cultural Dimensions of Authority, (Belknap Press, Harvard, 1985), 56.

[56]Wei Li and Lucian W. Pye, "The Ubiquitous Role of the Mishu in Chinese Politics," (The China Quarterly, December 1992) is the source of the discussion on mishu.

[57]Ibid, 928.

A mishu does not have a position on an organizational chart, yet they carry the power of their patron's position, acting as writers, policy interpreters, and go-betweens to other leaders' mishu. This bonding relationship is the heart of personalized ties in Chinese politics. It accounts for policies and programs still emanating from senile leaders.

Although a leader becomes dependent on his mishu to run his office and take care of his personal needs, the patron usually finds him a spot in the government where he will do both of them the most good. The mishu is thus rewarded for his loyalty. He is expected to remain loyal regardless of bureaucratic claims others make on him. He is also expected to develop his own network which the patron can use as needed.

Not only do mishu get an indispensable headstart in perks they can distribute, "it is extremely easy to use the shouzhang's position to promote one's private interests if a mishu is so minded."[58]

Thus, bureaucratic personnel decisions are based on personal relations. Once people are placed, personal relations further influence interpretation, pace and how policy is implemented. This is not to say that leaders deal exclusively with issues that interest their clientele. But

> A certain modicum of attention to cultivation is dictated by the need for survival, and beyond this modicum there is considerable variability according to the nature of the situation and the temperamental, policy, or ideological proclivities of the actor.[59]

But at the center of politics based on personal relations is the assumption that elite decision making places a premium on personal power rather than policy.

F. TEMPORARY ALLIANCES

> Both formal and informal power demand compliance, allocate benefits, and thereby engender constituencies; but the constituencies are bound to their leaders by different bonds of loyalty and have corresponding different

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[58]Ibid, 927.

[59]Dittmer, "Bases," 32.

> utilities. Formal power provides an official with access to a constituency of...collegial relationships and superior-subordinate relationships....These horizontal and vertical relationships are specific to a given bureaucratic role and are therefore relatively brief and expediential....[60]

Bureaucratic position centers on access to material goods to distribute to clients and to promote other network members. Bureaucratic ties are necessarily temporary and non-transferable when the office holder moves on. These ties will support their leader when it comes to fighting routine bureaucratic battles, such as incursions by other bureaucracies into their domain or for budget. But this network will quickly fall away if the scope of the contest goes beyond bureaucratic interests.

When a disagreement provokes intractable opposition, such as Zhao's attempts to mediate at Tiananmen rather than stand firm, "only those ties that precede or otherwise transcend rational calculations of interest can justify commitment under risky conditions."[61] This is the day against which a politician has created his network. Its reliability is beyond his control. Network members may denounce him in an attempt to save themselves, but they do so at the price of political oblivion. Desertion was probably more likely when purges really meant loss of everything. With the many alternate avenues to riches now available, and the Party's reluctance to persecute the vanquished (you never know when he might become valuable again), losing a challenge may have become less costly and therefore more likely.

However, when the outcome is predictable, such as Zhao's, the network may attempt to hold onto their positions without actually supporting the purge. This strategy is often unsuccessful, and the network is eliminated.

Zhao's "illegitimacy" was not that he entertained "hegemonic ambitions," but that he was willing to discuss sharing political power. This would have challenged the legitimacy of the Party's monopoly on power far more than the rise and fall of independent kingdoms ever could.

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[60]Dittmer, "Bases," 29.

[61]Ibid, 33.

Despite the current emphasis on law, the elite does not feel constrained from carrying out their personal mandates. Nor do those below them. The bureaucrats and cadres have their own mandate, which increasingly differs from what the Center wants.

V. UNDER MAO: THE LEGITIMACY OF POWER[62]

The purpose of power under Mao was not initially concerned with creating political networks. There was no question as to who was in charge. Political power was necessary to transform the population and enforce conformity. This chapter is devoted to the means by which the CCP used the bureaucracy in the attempt to break down personal networks and invade every facet of life.

A. ORGANIZING THE COUNTRY UNDER MAO

In 1949 there was little dissent regarding Mao's right to rule China. He brought peace. He eliminated most foreigners from the soil and waged a victorious civil war against the mostly reviled Koumingtang (KMT). His programs in Hun'an province had somewhat raised the peasants' standard of living of the province. With these victories, the CCP was widely and joyously welcomed by the Chinese people.

> The absolute authority and public trust the Communist party enjoyed during the 1950s and 1960s made almost all Chinese eager to join. The best people from every level of society, from the intelligentsia to the workers, became party members and cadres....Many of them had the people's welfare at heart as they waged successive ideological struggles against "erroneous" political lines....[63]

The CCP's first goal was to claim sole legitimacy to power and they moved to consolidate their position, eradicating any threat, actual or potential, to CCP rule. Their other goal was to bring all resources - human, industrial and agricultural - under their control.[64] Unlike the leadership of the past, they had a social and economic agenda.

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[62]This chapter is largely derived from Frederick C. Teiwes, "The Establishment and Consolidation of the New Regime 1949-57," The Politics of China 1949-1989, Roderick MacFarquhar ed., Cambridge University Press, 1993).

[63]Lin Binyan, 241.

[64]Hinton, 27.

Initially, with each success reenforcing their unity and prestige, there was wide leeway for policy discussion at the apex of the CCP. There were enough spoils from war that there were not any battles over material benefits. There was only one personal relationship that mattered, and that was with Mao. The policy issues were not divisive, and the bureaucracy had not become the ground of turf battles.

With the Soviet model before them, policy debate revolved around marginal changes in support of uniquely Chinese conditions. Those who held minority views could enunciate them, although they were expected to fully support the majority position once a decision was reached. This allowed the appearance of unanimity.

Mao often acted as a benign arbitrator in policy discussions, allowing others to exercise their expertise where his was lacking. The main areas he claimed as his own were revolution, foreign policy and dealing with the peasants, and everyone conceded his expertise in those areas.

The immediate task of governing the country required establishing a bureaucracy to carry out directives. The CCP was not large enough. Temporary measures were taken. The Peoples' Liberation Army (PLA) leaders remained in place and governed until relieved by civilians. This turnover was almost complete by 1952, with most military leaders reshuffled to ensure they did not develop independent kingdoms.

Another temporary accommodation the CCP made was to allow two million Nationalist officials to maintain their positions at the local levels "once they had received short-term ideological training and undergone thought reform."[65] The Communists recognized that they needed their expertise and decided that as long as they did not oppose CCP authority they could continue to serve and be paid.

The Party also trained their own cadres, many of whom were from the lowest levels of society. By September of 1952 the Party had recruited 2.6 million new cadres, a very small proportion of which came from the universities.[66]

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[65]Harding, 37.

[66]Ibid, 38.

Mass organizations were also used to carry out CCP social and economic reforms. Professionals, workers, youth, students and women, were enrolled in mass organizations. They all had CCP members who ensured the correct political line was embraced. Members were coerced to conform to the Party line through intimidation and surveillance, and rewarded for active participation. Thus, writers had to promote the Party's ideals if they wanted to be published, state workers had to conform if they wanted to be promoted or get better housing, etc. A nationwide administrative structure linking each organization could reach its membership when a campaign was put on.[67]

B. RURAL DEPENDENCY ESTABLISHED

The peoples' general euphoria with Communist rule continued as the first great rural mass campaign in 1950-1952 moved to divide the agrarian population into classes and eliminate landlordism.

> Work teams entered the villages and organized the peasantry to attack and destroy landlords. Public trials, mass accusations, and executions created an atmosphere of terror. Estimates vary, but apparently some millions of people were killed."[68]

The land was distributed to the former tenants and landless laborers. Thus, the majority of the rural population strongly supported the program. The peasants definitely believed they were better off with the Communists in power. The next step in bringing the countryside under control was the development of Agricultural Producers' Cooperatives, in which land and equipment were pooled. This was welcomed, even by the rich peasants, because they were paid in proportion to what they contributed. This period is referred to the period of cooperativization, and was looked back upon as the honeymoon period for the rural peasants.[69]

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[67]Fairbank, 350.

[68]Ibid.

[69]Ibid, 352.

By 1953, "consolidation had gone far enough to warrant a change in national priorities...." The nation's principle task was now to be planned economic development.

Mao's decision to speed up collectivization was executed, despite opposition from a large majority of the CCP elite. From 1954 to 1956 the peasants were collectivized. They lost their land. Thirty three families made up a production team. They were expected to join in or at least accept the oversight of political organizations such as the Communist Youth League, rural militia, and take part in supervised study.

> Peasants became a modern type of politicized serf under party control....In effect, the farmer no longer owned or rented land or disposed of his own labor or its product. He found himself labeled with a certain class status and obliged to participate in labor, meetings, and in other collective activities on which his livelihood depended. Survival required sycophancy, lies, betrayals, renunciation of old hopes and loyalties, and other practices of the police state.[70]

The government now controlled the basic food supply, regulating prices and telling farmers how much and what to produce. They issued rations based on certificates of household registration. Peasants were tied to their production team. Nevertheless, they had far more leeway than their urban counterparts. Their personal networks were not assaulted to the same degree and their sheer numbers made them less easy to coerce.

> Perhaps the major difference between city and countryside was that in rural areas the new organizational systems were built on top of preexisting villages and kin groups. Thus the grass-roots enforcers of state polices were not paid bureaucrats, as in the city, but kinsmen and lifelong neighbors whose livelihoods were dependent upon the peasants they were assigned to lead.[71]

Two goals of the CCP remained unmet. Guanxi remained the foundation of rural society despite all of the alternative groups the CCP provided. And despite the CCP's best efforts,

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[70]Fairbank, 353.

[71]Whyte, 263.

collectivization did not noticeably increase farm production. Nor was it given the chance to, as one campaign after another disrupted rural life.

C. BUSINESS DEPENDENCY

By 1951 government regulation of industry, commerce, and finance meant that industrialists and merchants were dependent on Party and government cadres for their economic survival.

> In labor unions, cadres could insist on labor peace or allow worker protests over wages and working conditions. In banking, cadres controlled loans for new investment. These considerations tempted industrialists and merchants to resort to bribery.[72]

With the aid of the USSR, China turned to capital investment in heavy industries, almost eliminating the production of consumer goods. There were bottlenecks and shortages of natural resources as the command economy began to regulate economic life. Businessmen often preferred to be advisors to the industries the state appropriated from them than to attempt to compete.

D. URBAN DEPENDENCY - THE IRON RICE BOWL

Workers in state industries were brought under Party control and discipline by dependence upon their job for housing, ration coupons, education for children and medical care. Household registration, rationing of necessities, and household checks established control over other urban residents. There was almost no opportunity to transfer to a different state industry, and to quit meant losing benefits and existing on the margins, like millions of others.

Urban workers in state industries were guaranteed lifetime employment. But between bottlenecks and shortages, time devoted to learning doctrine and ideology, and

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[72]Harding, 48.

mandatory participation in mass campaigns, there was little incentive to be productive. "Mao did something no one thought was possible. He produced lazy Chinese."[73]

An employee's value was based on a whole range of subjective criteria. This "has provided fertile ground for the growth of pervasive networks of informal social ties based on personal loyalties."[74] Although state industry employees had access to a range of social benefits other sectors of society did not have, they were still trapped in a situation where standards were not fixed and little was guaranteed. The arbitrariness of superiors was the ultimate sign of power.

> As it became clear to subordinates that the benevolence of the state and of immediate bureaucratic superiors was not a reliable guarantee that their needs would be met, they resourcefully tried to find ways to "work the system" or "beat the system." Since control over the essentials of life was monopolized by bureaucratic gatekeepers who operated with considerable personal discretion, a competitive effort by subordinates to manipulate personal ties in order to get their needs met was inevitable. Again the organizational features imported form the Soviet Union and behavioral tendencies with deep roots in traditional Chinese culture reinforced one another, producing an infestation of Chinese organizational life with guanxi networks.[75]

E. BUREAUCRATIC DEPENDENCY[76]

> The sole channel of upward mobility for ambitious individuals has been through the bureaucratic channel that the party-state has easily controlled through its prerogative over the personnel management of cadres.[77]

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[73]Claude A. Buss, Naval Postgraduate School, lecture series on China, October 1994.

[74]Walder, 52.

[75]Ibid, 267.

[76]This portion is largely from Harry Harding's Organizing China.

[77]Hong Yung Lee, From Revolutionary Cadres to Party Technocrats in Socialist China, (University of California Press, Berkeley, 1991), 4.

The entire political system was dependent upon the programs and whims of the political elite who were increasingly divided after 1957.

The CCP grew from 2.7 million members in 1947 to 6.1 million by 1953. The new members were mostly young, illiterate and rural. They largely had the correct class background - peasant or worker. These new members were essential for the CCP to penetrate the countryside, but they were not good at governing. They were in competition for position and perks with the older hold overs from the Nationalist government as well as old-timers who joined the CCP before victory. This competition frequently was vented in charges that old-timers were politically unsound or lacked zealousness, which was met with counter-charges of inexperience, corruption, lack of understanding of the masses and using the Party as a ticket into the bureaucracy.

The new cadres were generally guilty of all of the things their more experienced seniors charged them with. But the criterion for selection of new cadres was political reliability and zealousness in executing the CCP initiated reforms. Leading the purge of landlords or other groups made one a good candidate for recruitment. Many joined the Party from the desire to escape a life of hard labor and to get rich, rather than out of ideological considerations.

With each Party purge additional members of the worker and peasant class were recruited to the elite to replace the intellectuals and those who joined the Party out of patriotism.

> This new peasant leadership was self-selected, as ambitious and energetic younger people found opportunity to rise in the new power structure. ...These new power-holders were adept in the creation of guanxi (networks or connections), sycophantic ingratiation with superiors, and authoritarian exploitation of inferiors in the traditional Chinese style. Intensely political in every act, these nouveau cadre instinctively sought status, power, and perquisites that set them apart from the masses and entrenched them as a new local elite. Mouthing ideology, playing up to their patrons, squeezing public funds as the normal spoils of office, they were seldom constrained

> by a Confucian concern for the populace nor an educated vision of national needs or the public good.[78]

Despite the party's need for new cadres to govern the country, the bureaucracy was not a particularly safe place to be. Mao and his Standing Committee, recognizing the importance of the bureaucrats to carry out their vision, were perpetually looking for ways to perfect their true believers. The cadres, in turn, were constantly seeking ways to maintain and profit from their precarious positions.

In addition to the mass campaigns the bureaucracy was leading throughout society, such as collectivization, purges, and the Great Leap Forward, bureaucrats took part in concurrent campaigns directed toward routinizing their jobs and improving not only their performance but their loyalty. The scope of these efforts was seldom clear. Bureaucrats neither knew who, how, or what specific behavior was supposed to be ameliorated as campaign goals changed.

> Lower levels were completely vulnerable to upper-level interventions that encourages undesirable bureaucratic behavior. Cadres tend to be cautious about assuming responsibility for decisions, but they enjoy power. Each official is the anvil of his superiors and the hammer of his subordinates.[79]

Low level cadres spent a great deal of time anticipating what their bosses wanted to hear. They were given so many directions that failure was inevitable. They settled for reporting what they thought would deflect attention. But as punishment was meted out for carrying out directives, the cadres developed an aversion for responsibility. The new survival techniques were inaction and buck-passing rather than zealousness.

In discussing Leninist systems, Lieberthal states:

> These systems are almost wholly "top-down" polities. Each official's career depends on the favor of higher level officials, and thus for every official there is an overriding need to look "up" rather than "down" in considering

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[78]Fairbank, 353.

[79]Townsend and Womack, 86.

> decisions to make and actions to take. There is thus startling potential in this type of system to ignore the realities of the real world of actual events in favor of responding to the wishes of higher level officials who control one's fate.[80]

Bureaucratic campaigns occurred about every other year from 1949 to 1966. They included attacks on, among many other things, corruption, waste, bureaucratism, and unresponsiveness to the masses.

Cadres were also involved in campaigns where they were to criticize their superiors. The campaign that followed immediately after the Anti-Rightist Campaign resulted in 855,000 suggestions presented in some 325,000 wall posters and 34,000 meetings.[81] It also resulted in superiors determined to ensure their subordinates would never dare criticize them again, no matter who initiated the process.

Cadre life was regularly disrupted after 1958 by being forced to participate in physical labor "down on the farm." In 1956 300,000 were transferred in an effort to cut administrative costs and increase local control as well as provide a higher caliber of leadership. Although resented by the cadres, there was a sense of performing a service for the peasants.

Cadres who protested executing any particular campaign could quickly find themselves permanently sent down. They returned to their old status, becoming one of the masses without the requisite position to collect perks or exercise authority.

All cadres felt many of the same constraints and used the same means to circumvent those who were over them, while performing ritualized lip-service.

> A Chinese unit leader's strategy generally must make major provision for: obtaining access to scarce resources that he can distribute to individuals in his own organization; protecting his organization from the uncertainties of an external environment in which top leaders can act capriciously and

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[80]Kenneth Lieberthal, "The Dynamics of Internal Policies," in China's Economic Dilemmas in the 1990s, Leo A. Orleans coordinator, (U.S. Government Printing Office, Washington, D.C., 1992), 18.

[81]Harding, 162.

> bureaucratic authority is fragmented; and developing goods and services within his organization which he can use to strike his bargains with the external environment.... An element that is core to all three is the need to build up a coalition of followers and to cultivate one or more patrons who can provide protection and benefits.[82]

Despite the CCP's tremendous efforts to eliminate the personal ties, they created the need to seek out even greater guanxi as protection and scarce goods became rare commodities. The greatest incentives were given to their own low level bureaucrats, who were called upon to perform contradictory, demoralizing tasks, and endured and suffered the waves of elite social and economic experimenting most.

[82]Lieberthal, 161.

VI. MAO'S MASS CAMPAIGNS AND THEIR LESSONS

In the first eight years of ruling the CCP had remarkable success at achieving its goals. Central planning was taking shape. The countryside was collectivized. Industry was largely state-owned. Most local sources of power were eliminated through the creation of mass organizations which acted as "transmission belts" for Party indoctrination. "A variety of preexisting organizations, such as secret societies and religious sects, were suppressed, while others were coopted or replaced by new organizational forms."[83] The country was more prosperous after the First Five Year Plan. Although there was some dissent, the Communists had good reason to be self congratulatory.

The Party's prestige and legitimacy eroded during successive mass campaigns initiated by Mao. Mass campaigns served the communists well during their quest for power. Mobilization of the countryside, used during efforts against the Japanese and the KMT, had become an operational mainstay.

Once in power, the campaigns were used as an alternative to bureaucratic measures to meet social and economic goals. Campaigns became a tool to improve and correct a whole range of problems and to imbue the citizenry with correct thoughts, while binding them tighter into the web of organizational structures that were intended to replace guanxi ties and organizations.

The campaigns examined in this chapter, except for the Great Leap Forward, targeted the CCP bureaucracy. The goal was to improve the bureaucracy, either by making it more professional, more responsive to the masses, less corrupt, or ideologically pure. Usually most of these problems were addressed at sometime during each campaign.

Campaigns were evolutionary. Goals were in flux, as was who the campaign was directed toward and the methods for conducting the campaigns. Throughout all of the

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[83]Martin King Whyte, "State and Society in the Mao Era," in Kenneth Liebethal, Joyce Kallgren, Roderick MacFarquhar and Frederick Wakeman, Jr., eds., Perspectives on Modern China, (E.M. Sharpe, Inc., 1991), 260.

campaigns different components of the CCP bureaucracy were purged, sent down to perform physical labor, or in some other way temporarily uprooted.

From these experiences the CCP bureaucracy learned what Confucian bureaucrats knew: that subscribing to ideology and suborning oneself to those above did not translate into protection.

> Chinese Communist Cadres have [also] learned from the abrupt and unpredictable policy and political changes in the past decade and a half that personal ties and mutual help, and not correct ideological stand or institutional loyalty, best protect their careers and enhance their political power.[84]

A. HUNDRED FLOWERS

In the mid-1950s China's leaders were facing their first serious problems. The USSR de-Stalinization and Hungarian revolt called into question the validity of their political model. The economic growth that justified collectivization and central planning had not materialized and there was a growing sense that the Party and government were out of touch with the masses. The Party recognized they needed to increase economic development as well as get back in touch with the masses to regain their support. The Hundred Flowers Campaign was to address the second issue.

There were great debates over how this should be done. The two recurring dimensions of debate over how to change the Party were between "structural and motivational reform."[85] Structural reform stressed changing the system so the bureaucracy would be more responsive. This included decentralizing, increasing agencies that inspected the cadres and defining duties more accurately.

Motivational proponents viewed the cadres (administrative personnel, who were not necessarily Party members) themselves as the root of the problems. The cadres used

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[84]Parris H. Chang, Elite Conflict in Post-Mao China, (School of Law, University of Maryland, 1983), 6.

[85]Harry Harding, Organizing China, 150.

coercion rather than persuasion to carry out the Center's programs. Many cadres overstepped their authority during collectivization and appropriated the peasants' personal belongings as well as their land. Cadres corruption was already becoming an issue. Cadres wielded their power so arbitrarily that industrial workers felt sycophancy and betrayal of those around them were conditions of survival.

Political education and changing the attitude of the cadres toward the masses were the themes of those who believed motivational changes would improve the cadres' performance and the Party's image.

By 1956 the Party had grown into a mammoth organization of 10.7 million members that now penetrated most aspects of social, economic, and political life.[86] Mao, who had unsuccessfully proposed the Party and government bureaucracies be cut by two thirds, feared that the growth of bureaucraticism was creating a class of administrators who were conservative and corrupt, rather than selfless servants of the people.

> ...Mao expressed his concern that the privileged life style and routine work style of the bureaucracy were creating officials who "have not a single kind word for [the masses] but only take them to task, and...don't bother to solve any of the problems the masses may have." He warned that if Party and government officials continued to employ a bureaucratic style of work, they might "grow into an aristocratic stratum divorced from the people."[87]

Mao launched the Hundred Flowers Campaign so outsiders could provide the stimulus for cadres to improve. The campaign took almost a year to launch for two reasons. First, the Party bureaucracy, from Liu on down, was nearly unanimous in its opposition. Second, people outside the Party had learned not to speak too loudly regarding the shortcomings of the CCP.

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[86]Frederick C. Teiwes. "The Establishment and Consolidation of the Regime, 1949-1957," Roderick MacFarquhar, ed., The Politics of China 1949-1989, (Cambridge University Press, Cambridge, Massachusetts, 1993), 73.

[87]Harding, Organizing, 151.

> The at first tepid response of the intellectuals was understandable, given the ideological remolding they had been subjected to since the thought reform campaign of 1951-2.[88]

The Party bureaucracy's main objection was using outsiders, particularly those from the enemy class of bourgeois intellectual, to point out problems. The Party strongly believed self-criticism and internal solutions were sufficient.

Nevertheless, intellectuals - anyone who had a high school education - were invited to criticize the Party. Many intellectuals were employees of the government, able to make detailed and precise criticisms. For six weeks, beginning in May 1957, the outpouring of criticism was so vast and showed so much loathing of the Party, that the campaign was terminated.

> ...strikes, student demonstrations, critical statements by prominent non-Communists at meeting convened by the CPC Central Committee's United Front Work Department, and the like. Hardly any criticism of the regime and of Mao that any non-Communist, or even anti-Communist, foreigner could think of failed to be expressed by one or more of these critics; the attacks centered on the Party's dictatorship, which it was (and is) pleased to call leadership, over the Chinese people and the draconian nature of its development program for "building Socialism."[89]

Mao was permanently pitted against the intellectuals for their disloyalty. He revised and backdated the criteria for the campaign. Criticism should have been constructive, and offered in the spirit of helping the Party govern, not question the Party's right to govern. The Party was completely demoralized at the scope and depth of opposition to their leadership.

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[88]Tweiwes, 80.

[89]Harold C. Hinton, An Introduction to Chinese Politics, (Praeger Press, New York, 1973), 35.

B. ANTI-RIGHTIST

Although the distrustful intellectuals had been promised that there would not be any political fallout from their criticisms, an Anti-Rightist Campaign was immediately initiated, which ferreted out intellectuals and officials who had "rightist" tendencies, such as opposing collectivization. Punishment was usually administrative, yet even that, in a society so adverse to shaming, was enough to ruin peoples' lives.

> Some were subjected to struggle sessions and then sent off to penal camps to receive "reeducation through labor." For others, the anti-rightist campaign created such humiliation and anguish that they committed suicide. Nor were Party members spared harsh punishment.[90]

Simultaneously, there was a campaign against CCP bureaucrats who had become slack and self-seeking, i.e., felt there was some justification in the criticisms. The senior leadership restricted the purges to about 1,000 cadres from the lower levels. More serious than the loss of low level cadres was the further alienation of the leaders of science, technology and other educated sectors of society from assisting the Party in achieving its goals.

> Somewhere between 300,000 and 700,000 skilled people were removed from their jobs and given the devastating title of "rightist," an enemy of the people. The effect was to decapitate the People's Republic, inactivating the very persons in shortest supply.[91]

The Party purged Nationalists and others who were not members of the CCP, and Party members who were influenced by the Rightists in their midst, primarily old-time Communists who had joined the Party out of a desire to improve Chinese society. The Hundred Flowers Campaign was the first sign that Mao was not omniscient.

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[90]Harding, Organizing, 148.

[91]John King Fairbank, 365.

> It was Mao's first major mistake since the regime had come to power, and his miscalculation can be explained quite simply: because there had been no previous airing of views, Mao had no means of knowing how people really felt.[92]

The campaign was eventually transformed from a Party rectification campaign to a nationwide campaign. Peasant enthusiasm for collectivization was waning as the promised increases in their standard of living did not materialize. Workers resented the cadres over them and the pace of improvement of their life styles. It seemed that everyone was displaying bourgeois tendencies and needed to be further inculcated in socialist ideology.

Younger cadres did not do well with the change in direction. They were viewed as especially selfish and critical of Party policies and pre-1949 Party members. Those who had an intellectual background (educated parents) were accused of being out of touch with the masses, unable to solve production problems and ignorant of the peasant mentality. This was coupled with the belief that exposure to peasants caused "rightist" tendencies in cadres, which reduced their commitment to socialism and collectivization and increased their corrupt (capitalistic) tendencies.

510,000 cadres were sent down to the farms in October and November of 1957, followed by 520,000 more the next two months as laborers for political reeducation.[93] Those who feigned a willingness to participate usually could expect to return to their post within a year. By the end of the Hundred Flowers Campaign cadres had learned that they were as vulnerable as other segments of society. Neither the old-timers who had proven their loyalty during the wars, nor the new cadres who owed their position to their zeal and responsiveness to those above them, were safe.

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[92]MacFarhaquar, The Origins of the Cultural Revolution, Part I of II, (Columbia University Press, New York, 1974), 311.

[93]Harding, Organizing, 164.

C. GREAT LEAP FORWARD

> Mao and much of the rest of the top leadership seem to have harkened back to the Yan'an spirit (and methods) as the source of their hope. Mass mobilization, social leveling, attacks on bureaucratism, disdain for material obstacles - these approaches would again save the Chinese revolution for its founders.[94]

The GLF resembled the High Tide economic campaign of 1956, which had promised to eliminate illiteracy in seven years and increase agricultural output by 40 percent. The fallout from the High Tide included protests and demonstrations, facing the leadership with its first legitimacy challenges. Despite the obvious failures of the High Tide, there were major successes. The peasants were collectivized and state ownership of industry was increased.

The GLF was in response to the less than anticipated industrial growth from collectivization and state ownership of industry. The campaign was to be managed by the Party, shifting power to the Secretariat (Deng) and away from Zhou, whose government had produced measured economic growth under the First Five Year Plan, but not the spectacular, instant results the top leaders wanted.

Support for the GLF was not shared by everyone. "The provincial Party leaderships, which would have to implement the program, were not so easily convinced and were rather drastically purged during 1958."[95] The Party's own economists, particularly Chen Yun, were also opposed.

There were very few guidelines for the campaign, other than provincial Party leaders and below should take local conditions into account, and not allow shortages to interfere with production. A tremendous amount of decision making devolved to the lower level cadres, while tremendous pressures were placed on each subordinate organization

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[94]Kenneth Lieberthal, "The Great Leap Forward and the Split in the Yan'an Leadership, 1958-65," Roderick Mac Farquhar, ed., The Politics of China 1949-1989, (Cambridge University Press, Massachusetts, 1993), 97.

[95]Hinton, 40.

to meet inflated targets. Despite the impossible demands placed on them, the new elite displayed "almost utopian optimism about what the Party, with its methods of mass mobilization, could accomplish."[96]

The GLF would confirm that enthusiasm and political zeal were sound replacements for specialization, planning and time, particularly since so many technicians and specialists had been purged in the previous campaigns.

> Thus local obedience to the party, plus the personal cult of Mao Zedong, could create mass hysteria, during which people worked around the clock and abandoned established ways.[97]

To express reservations concerning the goals was to face the accusation of being "rightist." Mao told leaders they should improve upon the goals wherever possible, and not allow trailing sectors to set the pace or cause bottlenecks. Industrial output and social programs were to keep up with the level of agricultural increase. Illiteracy was to be eliminated in two to three years, steel production to increase 100 percent in one year, the countryside communized and medical services established in every commune.

Each level of the bureaucracy, afraid of displaying conservatism, decided to lean towards the "left." This caused other sectors to file reports showing they were in step or ahead of everyone else. There was a swelling tide of misinformation. Planning became impossible.

There was a retreat from the Great Leap Forward program in 1959 as the leadership realized the extent of the problems. But when Peng Dehuai (the defense minister), tried to attack the program at the Lushan Conference and report what was actually happening in the countryside, Mao took it as a personal attack.

> [First,] Mao labeled internal criticism by a top colleague "unprincipled factional activity." He then demanded that others choose between himself

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[96]Kenneth Lieberthal, "The Great Leap Forward," p.88.

[97]Fairbank, 369.

> and his adversary and that the loser be punished. At a minimum, this stance would hinder future free discussion among Politburo members.[98]

This was the first time policies at the top were translated into "me versus him"; politics was on the verge of becoming about personalities and factions. Another anti-rightist campaign was conducted against those who opposed the GLF and a second Great Leap (1959-61) was initiated.

The Great Leap Forward led to a man-made famine that killed 20,000,000. By 1961 local leaders did whatever they could to restore agricultural production. This included dissolution of the massive communes that had been created during the fevered days of the GLF, allowing peasants their own plots to grow a wider assortment of goods and opening rural markets. A tremendous decentralization of authority was underway, creating many opportunities for corruption.

Liu and Deng, while trying to recentralize power, actively promoted offering incentives to all sectors of society to increase production and ease the devastation. Socialism was losing out to pragmatism. Until 1962 Mao supported Liu's methods, but thereafter he increasing felt the revolution was being corrupted and lost through Liu's programs. The GLF could not help but erode the cadres' belief in the Party's infallibility. Blaming the famine on acts of nature further called into question their right to rule.

Most of the CCP leadership (Mao being a noteworthy exception), accepted that mass mobilization would not create a modern infrastructure, an educated populace or increase industrial and agricultural output. The bureaucratic leadership wanted to forswear mobilization as a tool for promoting economic expansion. Mao agreed, but was not ready to forswear campaigns to correct social and organizational problems. By 1962 he was ready to declare the country fully recovered and ready for new campaigns to correct the problems caused by the recovery. The biggest problems he saw were the loss of the revolution throughout the country in the rise of capitalistic methods to increase production, and the growth of a bureaucracy controlled by those who had revisionist tendencies (were promoting capitalism) and were unresponsive to his personal agenda.

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[98]Lieberthal, "The Great Leap Forward," 109.

Meanwhile, Liu and Deng were desperately trying to promote recovery from the famine and industrial dislocations engendered by the GLF. Chen Yun disappeared from the political scene because of his unequivocal denial that things were back to normal on the economic front.

Confusion over policy, and an increasing sense of being at the mercy of those above them, was crippling the lower cadres' will to act. Position was not enough to assure protection. It was again time to ensure one had good connections.

> The demoralization of the lower ranks of the CCP became still more acute as the country slowly pulled out of the Great Leap because in the end the cadres who had supported the second Leap were now purged for their "leftism," while Mao's own responsibility was carefully shielded to protect his legitimacy.[99]

Many lower level cadres correctly perceived that they were being blamed for policies they had no control over. Their support for the Party and its goals was on a downward spiral.

> Some cadres...resigned their posts, or else performed their duties in a passive and perfunctory way. They had taken advantage of their official positions to engage in various kinds of corruption and embezzlement. Still others had exceeded the Party's rural policies by condoning or actively encouraging the abandonment of collective production in favor of individual family enterprise.[100]

Besides the decision to refrain from mobilizing the country to increase production, there were many other lessons from the GLF learned by the bureaucracy.

First, lower cadres were easily sacrificed to protect those who made policy. They were punished for carrying out the Center's directives with too much zeal. They developed feet of clay, no longer the enthusiastic conduits of the Center's policies.

Second, when the Center loosens the reigns of control, there is greater individual economic freedom. The provincial governments were permanently bent on holding and

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[99]Ibid, 112.

[100]Harding, Organizing, 196.

increasing their scope of operations, and using their connections to maintain their newly found freedom. Under these conditions, there was more available to bargain with and guanxi networks based on the family reemerged.

Third, at the highest levels of the Party, discussion was coming to an end. Capable people were being purged for expressing views contrary to Mao's. Personal power was becoming the proof of correctness.

Fourth, without consensus, leaders formed "independent kingdoms" to push their programs throughout the bureaucracy, government and economy, etc. Liu and Deng developed a grip on the CCP bureaucracy that Mao did not think he could challenge.

Fifth, Mao was feeling shunted aside by those he expected to carry out his vision. He came to view them as being fatally flawed, willing to give up the gains of the revolution for material gains based on capitalism and individualism. He would have to look outside his designated heirs to correct the problems he attributed to them.

As elite consensus regarding social and economic development collapsed, the Party organization further frayed.

D. SOCIALIST EDUCATION

In Richard Baum's words the Socialist Education Campaign (SEC) became:

> The most intensive purge of rural Party members and cadres in the history of the Chinese People's Republic... Never before...had such a thoroughgoing attempt been made to fully expose and criticize...corruption.[101]

Corruption and capitalism were endemic the further one moved from the Center. Provincial leaders were very reluctant to allow re-centralization and give up the independence gained during the GLF.

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[101]Richard Baum, Prelude to Revolution, (New York, 1975), quoted in Harding, Organizing, 211.

Mao thought a re-education campaign, stressing the return to socialist basics, would clean up most of the problems. He wanted a mass campaign in which peasants would criticize cadres who were guilty of "revisionism," Liu wanted to send Party led work teams in to the villages to study the cadres and determine their guilt of a whole range of crimes, none of them ideological. Both believed the revolution was in danger, but from different sources, and their methods for attacking the problems were different.

Mao initially agreed to let Liu run the campaign as he saw fit. The Four Cleanups Campaign targeted the new elite and others of the village managerial level, who were corrupt, engaged in nepotism, and were making life more comfortable for themselves rather than carrying out Party business. Work teams were sent in to villages and compiled charges and evidence against the local cadres and

> ...then used endless interrogations, physical exhaustion, and forced confessions as a basis for struggle meetings. These were in the same style as struggle meetings against intellectuals and bureaucrats. They became the chief form of the peasant's participation in political life, manipulated by the CCP on a vast scale. Instead of merely watching an execution in the old style as passive observers, they now became vociferous accusers of victims targeted by the authorities.[102]

Neither Mao nor Liu were satisfied with the campaign. Mao was far less interested in cleaning up corruption than in ideological purity. Liu had determined that the peasants were as corrupt and the cadres, and that the whole country needed to be cleaned up. Cadres, for the most part, were guilty of all the things ascribed to them. Ideology was a ritual, observed through lip service. They concentrated on developing their positions as middlemen while

> rural leadership frequently passed to former middle and rich peasants who, despite their questionable political credentials, at least possessed a knowledge of local conditions, rudimentary literacy, and practical managerial skills.[103]

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[102]Fairbank, 376.

[103]Harding, Organizing, 197.

Urban cadres were more responsive to Party demands than their rural counterparts, and less willing relinquish their power over the individuals they controlled. They, too, used their position to promote their own interests.

Employees increased their competition for personal relations with their employers as the threat of lifetime employment, with all of its benefits, was undermined in the name of profitability.

> ...the flexibility of politicized reward systems have inadvertently provided extremely rich ground for the growth of informal networks of patronage and favoritism, because the relationship between leader and led is one in which active loyalty is exchanged for reward.[104]

Everywhere he looked Mao saw pragmatism and economics undermining his vision. He wanted to reintroduce doctrine as the criterion for political action rather than economics. There were enemies throughout the bureaucracy and the peasantry.

> In Mao's words, "In our nation now, about one-third of the power is controlled by the enemy or by those who sympathize with them." He noted that many branch Party secretaries could be bribed with a few packs of cigarettes, and went on to complain that there was no telling "what one could achieve by marrying his daughter off to such a person."[105]

By 1964 Liu had lost Mao's trust in the execution of the Socialist Education Campaign. Liu did not perceive that he was failing Mao, or if he did, he thought he could limit the fallout through his own networks.

The fallout from the SEC increased Mao's sense of isolation from the Party he created. Mao, unable to make the bureaucracy responsive, once again stepped outside normal channels for support, this time using the PLA and the newly created Cultural Revolution Committee as his political base. He appealed to those who felt discriminated

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[104]Andrew G. Walder, "Organized Dependency and Cultures of Authority in Chinese Industry," Journal of Asian Studies, (November 1983), 69.

[105]Harding, Organizing, 210.

against - students with the wrong backgrounds, workers who were left outside of the safety net of the state-owned enterprises - to rectify the Party. He returned to his old method of the mass campaign to reassert his grip on the country. He called for the examination of Party officials by those outside of the Party to eliminate revisionism and bureaucratism. The youth of the country were mobilized.

E. CULTURAL REVOLUTION

> Because authority in China came from the top down, as was recognized even in the mass line, once the CCP had taken power its leader became sacrosanct, above all the rest of mankind, not only the object of cult of veneration but also the acknowledged superior of everyone in the organization. So much of the CCP had been put together by Mao that it could be regarded as his creation, and if he wanted to reform it, that was his privilege. Only if we regard him as a monarch in succession to scores of emperors can we imagine why the leadership of the CCP, trained to be loyal, went along with his piecemeal assault on and destruction of them.[106]

The Great Proletariate Cultural Revolution (GPCR) demonstrated how Mao remained above the laws. His contempt for Party norms allowed him to prevail over those who were still trying to achieve consensus and carry out his dictates through established party methods within the bureaucracy.

> Mao's goal, as enunciated at the August 1966 Eleventh Plenum, was to achieve a drastic change in the mental outlook of the whole Chinese people. Spiritual regeneration was to take precedence over economic development. The principle of class struggle was to be applied to all intellectuals, bureaucrats, and party members in order to weed out "those in authority taking the capitalist road." As yet nobody know exactly who these evil people were.[107]

Like the previous campaigns, there was no envisioning the outcomes of the GPCR. While one of the goals was to force conformity to the state ideology, "the existing

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[106]Fairbank, 386.

[107]Fairbank, 391.

organization structures, from the Chinese Communist Party on down to the lowly urban residents' committees, were attacked and either made inoperative or at least much less effective."[108] Most of those who were purged considered themselves to be loyal Maoists, supportive of the Party and Liu, whom they believed to be the mouthpiece of Mao.

At first the Cultural Revolution was directed at the normal targets - the intellectuals. No one could believe the highest levels were open to condemnation as they sacrificed those around them to fend off attacks. But in December, 1966, some of the highest Party cadres were paraded before public rallies of condemnation in Peking. It was now clear that the scope of criticism was to be virtually unbounded.[109]

> Mao then decided to make new arrangements for a "revolutionary successor".... It would mean... the start of a succession struggle. It would necessitate a thorough purging of all those in the Party apparatus who had staked their careers on the eventual succession to power of Liu Shaoqi and Deng Xiaoping and, as a result, had espoused the views and policies of the Party machine leaders. It would require enlisting the support of other leaders whose bases of power lay outside the Party apparatus....It would require...the creation of such extra-Party mass organs as the Red Guard to supply the element of force....[110]

The elite lost the PLA as their guarantee of power once it was coopted by Mao. The top officials quickly fell, leaving a power vacuum filled by the PLA and the Cultural Revolutionary Committee.

Provincial Party leaders throughout the country moved to save themselves, in defiance of Mao and his newly created Center. Many had far more resources at their command than the political elite. In December, 1966, when

> Chen Bota called for an attack on the provincial secretaries of the CCP because they had mobilized "out of fear of loosing their positions and

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[108]Whyte, 265.

[109]Harding, Organizing, 246.

[110]Philip Brigham in Party Leadership and Revolutionary Power in China, (Cambridge at the University Press, 1970), 234.

> prestige," workers and peasants to "fight the students". The Party leaders in the provinces had actually begun, with greater and greater frequency, to organize "Red Worker Guards"...to protect themselves from the actions of the Maoist youth units.[111]

When Red Guards attempted to attack provincial leaders, the leaders formed their own mass organizations of workers and peasants and attacked back. The army was sent in to side with the youth groups, but many generals were sympathetic to the Party leaders' position. They took over titular leadership of the provinces, but allowed the Party bosses to continue running the provinces rather than promote civil war. The rural population was largely left out of the GPCR, while the cities were engulfed.

Few who exercised power could distinguish who represented the correct line as Mao threw his support behind one faction and then another. None of his coterie had the ability to run the country. The urban area were turned into battle zones. The countryside remained largely oblivious to the campaign. "Allowing for many variations, the purge rate among party officials was somewhere around 60 percent. It has been estimated that 400,000 people died as a result of maltreatment.[112]

> The extensive purge began in mid-1966, led by Mao, and lasted until April, 1969, when the Ninth Party Congress elected a new Central Committee composed of surviving protoplasm reinforced by "new blood." In November, 1970, Zhou Enlai told me that something like 95 percent of the former Party members had by then been reinstated. Reinstated, but not necessarily reassigned; many awaited "liberation" following completion of "struggle-criticism-transformation," the three-stage formula for redemption.[113]

The Party engaged in its succession struggle until December, 1978. The bureaucracy continued along its bewildering trajectory as factions competed and fell. The

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[111]Jurgen Domes, The Internal Politics of China: 1949-1972, (Praeger Publishers, New York, 1973), 171.

[112]Fairbank, 387.

[113]Edgar Snow, "Essence of the Cultural Revolution," David Milton, Nancy Milton and Franz Schurman, eds., People's China, (Random House, New York, 1974), 386.

country continued to decentralize, relying on their family and friends for support. The countryside continued along its path of rolling back the revolution. The CCP's ideology had proved to be a sham, and both the Party and the people abandoned it. Deng had to find something else to base his regime's legitimacy on.

VII. DENG'S MANDATE

This chapter looks at what Deng considers the two pillars of CCP legitimacy: economic growth and a rule of law.[114] It then offers an appraisal of his success.

In 1966 the communists had brought the country to the brink of civil war to prosecute their personal factional battles. The basis on which society had accepted their rule crumbled. The Party had imploded, its members suffering humiliation and terror at the instigation of their own great leader.

In 1977 there was dissent within the Party elite concerning the return of Deng Xiaoping to Beijing after his second purging. Hua Guofeng, the Maoists, and those who had come to power during the Cultural Revolution opposed his return. The new elite was pitted against the old "Long Marchers" elite. Deng promised to accept Hua as Mao's designated successor. Initially, it looked as if those who had profited most by the Cultural Revolution might hold on to their power, but Deng, demonstrating the superiority of his networks, triumphed. "The manner in which Deng Xiaoping turned the tables of Hua and the whatever faction is an illustration of the mysterious nature of power in the PRC."[115]

Deng had to rebuild the bureaucracy after Mao's ruthless persecution of hundreds of thousands of Party members, especially the elite. Most cadres were in political limbo, not knowing their fate and fearful of the results of the factional fighting.

> The chaos of that period had brought party activities to a halt for as long as five years; almost all party cadres were stripped of their positions, deprived of their rights, and subjected to ruthless ideological denunciations (which often included physical humiliation and torture.) As a result, the will and morale of the Chinese Communist party...were enormously

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[114]I use Potter's definition of legitimacy: the mandate to rule. Pitman B. Potter, "Riding the Tiger: Legitimacy and Legal Culture in Post-Mao China," The China Quarterly, (June 1994), 325.

[115]Roderick MacFarhaqar, 317.

> damaged. Different political factions arose within the party, and corruption among party cadres grew significantly....[116]

The efforts to instill Party values in the masses did not withstand the challenge Mao issued to the CCP elite. Provincial leaders took the reins of power into their own hands and promoted programs that benefited themselves and their networks. The countryside, where CCP control was weakest, was largely immune from the worst effects of the Cultural Revolution. While the Party played out its succession struggles from 1969 to 1978 the countryside undermined the communal system, growing crops for profit and selling them at local "capitalist" markets.

Deng's top priority was eliminating all elitist challenges to his rule. Those associated with the "Gang of Four" and those who advanced during the Cultural Revolution were maneuvered out of power. Victory was declared in the class war: class enemies had been co-opted and there was widespread economic equality. The justification for massive intrusion into civil society was thrown out. The goal of continuing revolution gave way to regularizing the bureaucracy. The Maoist reliance on mass movements was a thing of the past.

Deng felt it necessary to discredit Mao, his goals and his methods of running the country. There was widespread resistance within the military and by the many Party officials who felt Deng might purge those who had saved themselves in the previous decade by making some sort of alliance with Mao. The Party eventually reached a compromise position: Mao was 70 percent correct.

> So instead of seeking a unified China primarily through coercion and propaganda, he encouraged unity through increased economic interdependence, through reliance on effective, planned allocation of

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[116]Liu Binyan, "The Long March from Mao: China's De-Communization," Current History, (September 1993), 242.

> material goods and capital, and through a regularized promotion and personnel management system."[117]

At the end of 1978 China's leaders believed that "having rid China of the Gang of Four and other leftists, they could reestablish a centralized program of investment and reconstitute the favorable conditions that had seemed to prevail during the First Five Year Plan"[118] (1954). The task of restoring economic control using a system which had seen the routine elimination of its most productive members was too great.

> ...most important was the deterioration on China's technical and administrative capacity that had been allowed to take place since the 1960s. This is true from a technical, managerial, or administrative standpoint. While the demands on the administrative structure increased, the capabilities of that administrative structure declined until the system nearly collapsed.[119]

The Ten-Year development program, drawn up by Deng with Hua's by-line, was thrown out. The grandiose goals were deemed "leftist," which made the plan a political as much as an economic issue. Hua bore the brunt of the attacks. Deng deferred much in the economic sphere to Chen Yun after his own vision proved so contrary to reality.

The elite authorized many of the changes that had taken place during the period without central control. This meant acquiescence to increased economic freedom in the agricultural sector and the admission that power had decentralized over the last decade.

> Delivering the economic goods to the citizenry is thought vital to the regime's survival. Deng in particular has decided that full stomachs and

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[117]Michel oksenberg, "Economic Policy-Making in China: Summer 1981," The China Quarterly, (June 1982), 170.

[118]Barry Naughton, "Economic Growth in the Mao Era," Kenneth Lieberthal, Joyce Kallgren, Roderick MacFarquhar, and Frederic Wakeman, Jr., eds., Perspectives on Modern China, M.E. Sharpe, Inc., Armonk, New York, 1991), 249.

[119]Ibid, 250.

> consumer durables are the surest means of bolstering political legitimacy.[120]

Mao encouraged economic self-sufficiency, not only nationally, but down to the village level. The provinces assumed the lead in guiding the nation during the Cultural Revolution. There was considerable economic growth during the period, without central guidance. The growth took place in the countryside, where the Party exercised the least control, challenging the justification for a Party controlled economy. "Deng subsequently allowed the rural responsibility system to spread, even though no officials document to this effect was ever promulgated."[121]

The "hands off" approach promoted economic decentralization as each locality experimented to find what worked. Successful methods were adopted by other localities. The countryside, which encompassed 75 percent of the population, legally returned to the family based system of production rather than communes in 1983. Between the family based system of agricultural production and the right to keep profit rather than turn it over the government, about one third of rural labor was freed up to enter into handicraft production, create a service economy, or develop rural industries. Many shifted production to higher-value crops.

> Between 1980 and 1987, the total increase in gross value of rural grain output valued in current prices accounted for only 14 percent of this increase, while rural enterprise outside of agriculture (such as industry, transport, and construction) accounted for 59 percent.[122]

The ensuing rural wealth became the foundation of China's growth. The Chinese were "feeling their way across the river, one stone at a time."

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[120]David Shambaugh, "Losing Control: The Erosion of State Authority in China," (Current History, September 1993), 257.

[121]Naughton, 507.

[122]Dwight H. Perkins, "China's Economic Reforms," in Lieberthal et al., Perspectives on Modern China, 344.

Although agriculture was the engine of growth, the state provided few funds to improve the agriculture sector. The infrastructure, such as irrigation systems, were not improved. Farmers did not invest in the land because of uncertainty as to who held the land and the imperative to turn a quick profit. The cities also experienced growth in the service sector. Under Mao,

> The service sector was "unproductive" if not down right exploitative. Middlemen in particular were looked on as parasites, even when they were helping large-scale enterprises to find critical inputs so they could meet their production targets.[123]

The service sector absorbed the youths who had been sent down during the Cultural Revolution, controlling unemployment in a group that had already experienced the taste of political involvement and felt betrayed by the Party.

Many of them set up restaurants, beauty shops and other small enterprises. Some transported goods rural workers made to cities, where profits were higher. There were speculators and smugglers who were willing to take some risks in the hope of great rewards. They created their own networks of suppliers and distributors outside the absolute control of bureaucratic authority. Many managed to simultaneously hold down a job in the state or agricultural sector, and benefitted from two sources of income and received state-provided benefits.

> Not everyone was happy with this new strategy. Those on fixed incomes, such as government employees, used to thinking of themselves as the privileged elite, often resented the higher incomes earned by some traders and taxi drivers.[124]

The service sector became one of the most dynamic sectors in China's economy. Anyone who could get their hands on scarce items (primarily consumer items) could turn a profit.

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[123]Perkins, 345.

[124]Ibid.

Many turned profits on products that had prices controlled by the state. Construction necessities, such as cement and lumber, were bought at state prices and sold to the highest bidder. The call to forego today's wealth for the national good is unheeded by anyone who has the means to resist.

A. THE STATE-OWNED SECTOR

The state-owned sector lagged all other sectors. Incentives were given to eliminate waste and excess employment and increase production. A bankruptcy law was also passed. However, the state proved unable to enforce the law. The government was unwilling or unable to enforce other laws that took power away from the provinces and local bureaucrats.

> Enterprise autonomy, now enshrined in the government's reform policies, has been blocked by local governments. State industry officials have proved reluctant to give up long-held power. And planning agencies, used to administering factories as part of the government, habitually meddle in production.[125]

In 1991, Chinese economists reported that almost two-thirds of their country's 102,000 state-owned industrial enterprises were losing money. Losses are usually covered by subsidies, so the incentive to give pay raises, put in only a nominal number of hours and declare a loss.

The "iron rice bowl" - the right to stay on the payroll indefinitely, proved impossible to curtail, despite the drain on government revenue. Without a welfare system, the state could not challenge employee entitlements without the fear of a worker uprising. Guanxi rewards officials who can add people on the payroll, while there is little incentive to turn a profit. How profits would be divided up is also questionable.

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[125]Louise de Rosario, "Too many cooks," FEER, (8 September 1988), 128.

> Who owns the factory - the state treasury, a central ministry, an industrial bureau, a provincial or municipal government, or the workers? Existing laws and regulations provide no answer.[126]

B. THE BUREAUCRACY, LAW AND GUANXI

All areas of the economy provide an opportunity for corruption, defined as an official "using his position to increase his personal wealth."[127]

Deng was an organization man rather than an ideologue, more concerned with how the system ran than where it was going. "Clearly delineated authority, reinforced by increasingly significant material incentives as the reform process went on, is the most characteristic "Dengist" element of reform".[128] Deng wanted laws rather than whim to govern bureaucratic behavior. Laws would delineate bureaucratic responsibilities and authority. Incentives and punishments would be predictable as the system became regularized. A predictable environment for bureaucrats would foster professionalism. Cadres would be encouraged to respect and serve the people. He wanted a systemic change in the nature of the bureaucracy.

One of the first bureaucratic actions was to restore hundreds of thousands of bureaucrats and cadres who had been purged to their former positions. Those who returned, conditioned to think of short term consequences, could hardly help but maximize their power and connections to make up for having been suckered and abused. Appeals to national interest fell on deaf ears.

> General rules and guidelines that in other bureaucracies operate to circumscribe the behavior of occupants of office were vague and

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[126]"Withering away of the state enterprise," FEER, (8 September 1988), 130.

[127]This definition is from Jean-Louis Rocca, "Corruption and its Shadow: An Anthropological View of Corruption in China," The China Quarterly, (June 1992), 403.

[128]Barry Naughton, "Deng Xiaoping: The Economist," The China Quarterly, (September 1993), 502.

> frequently couched in ambiguous ideological terms that allowed for varying interpretation.[129]

Interpretation would be governed not by Deng's vision of the bureaucracy, but by what people could get away with. If you do not take advantage of your position and connections then shame on you.

> Reading the Chinese press, one gets the impression that it is only opportunity or the lack of it which determines whether an official is honest or corrupt, in a social system that assimilates corruption as one of its mechanisms.[130]

Deng wanted a new type of bureaucrat. Appointments no longer reflected political "correctness" but instead technical proficiency. This change in standards naturally threatened members of the bureaucracy who lacked education. They were initially resentful of the erosion of their authority and the leadership's tacit acceptance of the economic and social changes which challenged their authority. But they soon came to realize that any growth in wealth required their cooperation. Their monopoly on the distribution of scarce goods had disappeared, but they still retained power and were predatory in exercising it. "No laws or values effectively constrain the political authorities from preserving their dominance, and China's citizens are acutely aware of this fact".[131]

The 1980s saw younger, better educated managers replacing ideologues. However, the new bureaucrats were as willing as the old to profit from their positions. "To grow rich is glorious" provided the rationale for taking advantage of the opportunities the newly opened economy offered. It also shifted power away from Beijing and central ministries.

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[129]Hong Yung Lee, From Revolutionary Cadres to Party Technocrats in Socialist China, (University of California Press, Berkeley, 1991), 70.

[130]Rocca, 411.

[131]Kenneth Lieberthal, "The Dynamics of Internal Policies," China's Economic Dilemmas, 27.

> ...Deng's reforms have "pluralized" China's traditional power structure. In the 1980s, provincial and local governments received expanded authority and control over resources, which significantly altered the existing relations between center and locality....The process of reform not only legitimized the individual pursuit of self-interest, but the pursuit of corporate and regional interests as well....Under Deng, overt pursuit of advantage based on bureaucratic, provincial, local, corporate, or other affiliations has become both acceptable and expected.[132]

The bureaucracy is involved at every level of business. Starting a business is a nightmare of licenses and permits, with bribes required for each chop. Taxes and fees are arbitrarily assessed. Businesses are shut down if they fail to pay squeeze. Transportation is scarce, and workers demand illegal charges. Power is also in short supply. Allocations for electricity and water can be increased or reduced, regardless of contracts, for a price.

The bureaucracy promotes the black market by assessing fees rather than fines. But misappropriation of state funds rather than collecting squeeze is the quickest route to riches. Corruption cannot be controlled because those who are in control often are the worst offenders.

C. FOREIGNERS AND THE GROWTH OF CONTRACT LAW

Modernization requires capital. Only foreigners can provide the amount of hard currency China needs. They demanded laws to increase the predictability of the business climate and provide protection for their investments.

China wrote many laws to protect foreign businesses, however, foreigners quickly learned that no decision is final, and that contracts may be delayed or voided for reasons that have nothing to do with the contract.

> ...both the Economic Contract Law and the General Principles of Civil Law provide that private commercial transactions may not be formed

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[132]Christopher M. Clarke, "China's transition to the Post-Deng Era," in China's Economic Dilemmas, 6.

> which conflict with state policies or interests, including the state economic plan.[133]

State plans can be based on political rather than economic considerations. Growth targets reflect what leaders hope for rather than economic conditions. There are conflicting goals within the plans, signifying compromises within the elite. Plans are shelved if macroeconomic conditions, such as high inflation, or a shortage of foreign exchange make the plan unfeasible. Unforeseeable political events, such as Tiananmen, caused the West to cut their lending, which led to contract cancellations. The government also goes through attempts to re-centralize control when they feel their grip slipping.

There is also the problem of laws not actually being promulgated once they are passed, so businesses do not know if they have entered into an illegal contract. Then there is also the fact that contracts themselves are not considered binding.

> ...Chinese negotiators believe that every agreement can be reformulated if the circumstances are exigent enough and that foreign parties' insistence on contract observance is yet another example of foreign economic "imperialism."[134]

The state feels no compunction about exercising its constitutional right to interfere as it pleases in any type of business. If a foreign company's profit margins are deemed too high, the state may void the contract. If foreign reserves are running low, the state may arbitrate with the company to get better financial terms, as happened to the Japanese in the Baoshan projects. There are no objective standards by which to gage when the state will assert its prerogatives or what those prerogatives are.

The Japanese were authorized to develop Yangpu in Hainan in 1988. Apparently only one Beijing official opposed foreign ownership, saying it represented foreign

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[133]Pitman B. Potter, "Riding the Tiger: Legitimacy and Legal Culture in Post-Mao China," The China Quarterly, (June 1994), 343.

[134]Feinerman, 836.

hegmonism. The Japanese spend the next four years diluting their interest and rewriting contracts to satisfy Beijing.

> Foreign companies experienced great difficulties determining whether the authority claimed by their negotiating counterparts was real, and if real, how long it would last. Authority either shifted unpredictably back and forth among central and local government, or became fragmented among the various central and local government organs.[135]

Many companies have formed joint ventures or wholly owned subsidiaries in China. They often resort to guanxi in an attempt to ensure contracts are observed. One way to assure some success is to deal with the leaderships' children. They are referred to as "princelings," and are viewed by the population as the worst examples of corruption and nepotism. "The proportion of officials' sons in trading companies approached 90 percent in the special economic areas and 70 percent in Shanghai."[136]

Li Peng's son is vice president of the Industrial Development Company, Hainan. Zhao Ziyang's son was also with a Hainan development company. One of Deng's sons is Deputy General Manager of CITIC (China International Trust and Investment Corporation). Other princelings are well placed throughout the Party and government. Chen Yun's son is the CCP Beijing Municipal Party Secretary; Liu Shaoqi's is Deputy Governor of Henan Province. Ye Jianying's son is Governor of Guangdong. Former military leaders tend to ensure family members follow in their footsteps.[137] Obviously, princelings can provide entre where no one else can.

> ...cutting through the tangle of the PRC's overlapping bureaucracies, with their respective rivalries, seemingly inexhaustible supplies of red tape, and unpublished regulations proved a nightmare for foreign business people. They discovered that access to the right top official, often through gifts to

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[135]Weil, 777.

[136]Rocca, 415.

[137]From Appendix A, "Selected List of PRC Leaders' Relatives Holding Important Positions," China's Economic Dilemmas, 41-47.

> one of his or her children, could be the key to getting the right stamp, or "chop," of legitimization. Children of high-ranking officials were also prominent members of state trading corporations that supervised trade transactions with foreign countries. They were pleased to take advantage of offers....[138]

D. THE RULE OF LAW

The bureaucracy and Party clearly do not feel bound by laws that interfere with their own interests, despite repeated anti-corruption campaigns and exhortations to respect the law. Administrative regulations are routinely ignored. Joint venture and other business regulations change so fast and have such contradictory requirements that it is far better to seek arbitration than to take a case to court.

The Party members who used their positions to capitalize on China's economic boom created a groundswelling of resentment and charges of corruption. There is a demand for the rule of law by those who feel they are not getting their share of the country's new wealth.

The state has not given up its fight to combat the worst cases. During the almost annual anti-corruption campaigns bureaucrats are more circumspect, although senior people are seldom caught.

> The Communists' rapaciousness and unrestricted political power, combined with the mutual protection provided by networks of personal connections throughout this bureaucracy, result in criminal behavior that generally goes unpunished.[139]

The population has adopted the elite's ways. Wealth is flaunted. The rule of law has not been internalized by a public that sacrificed for decades and is no longer willing to wait while their leaders benefit.

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[138]June Teufel Dreyer, China's Political System, (Paragon House, New York, 1993), 197.

[139]Binyan, 244.

> Today the only sources of authority in the minds of the mainland Chinese are their own personal instincts and desires. ...The corruption of party and government officials is driving the corruption of the entire society.[140]

China is working towards a system of regulation. But these regulations are not based on concepts of fairness, let alone equality or the presumption of innocence. Without many legal precedents, regulations tend to reflect the desires of competing interest groups. Provincial governments are constantly pushing for de-centralization and the authority to control their own resources, set up stock markets, and deal directly with foreigners. They want their rights codified. The bureaucracy wants to ensure its prerogatives are protected. Workers in state-owned factories want their jobs protected and a safety net developed. All of the special interest groups are vying to have a voice in policy making.

Until laws are based on notions of fairness rather than political interests and privilege, China will have rule by regulation rather than law. The following case study on smuggling examines the degree to which regulations and laws are disregarded when they clash with personal interests. It also demonstrates that bureaucracies can be provided incentives that make them more responsive to state needs.

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[140]Ibid, 243.

VIII. COMBATTING SMUGGLING: GUANXI AND BUREAUCRACIES IN ACTION

The purpose of this case study is to highlight how guanxi, as practiced by bureaucracies and networks, operates to pervert the legitimate purposes of the law as it is supposed to work against smuggling and enforcing sovereignty in its self proclaimed territorial waters. Two bureaucracies will be studied. The first involves the maritime coastal patrols, made up of Customs, Public Security and the Coast Guard, and how they implemented two 1992 laws. The second involves the PLA-N's implementation of the same laws.

China has a smuggling problem which costs the central government millions of dollars a year in lost tariffs and taxes.[141] The Beijing leadership is well aware that the primary perpetrators belong to their own maritime bureaucracies, working with local authorities. Two laws were passed in 1992 that complicated the issue of smuggling. The first offered a 50 percent bounty to Chinese Customs officials for smuggled goods - an appeal to the personal interests of Customs agents to promote compliance with the law. All maritime officials took the bounty as legal justification to wage an anti-smuggling campaign. They boarded foreign ships, used weapons to force them into Chinese ports, and confiscated their cargo.

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[141]The smuggling that accompanied Guangdong's economic opening slowed when 1,000 people were executed in 1983 on smuggling and corruption charges. Vogel states that "So vast and profitable was the smuggling business that many, probably most, of Hong Kong's fishing fleet abandoned fishing altogether....Corruption and high-level complicity in black market and smuggling operations were rife, and perhaps understandably, cadres in charge of foreign trade enterprises or their administrative organs were frequently fingered." Ezra Vogel, One Step Ahead in China, (Harvard University Press, Cambridge, Massachusetts, 1989), 370.

A decade later, "The customs authorities in five coastal provinces, Guangdong, Fujian, Zhejiang, Guangxi and Hainan achieved marked results in their anti-smuggling activity last year, completely cracking 210 maritime smuggling cases and seizing goods worth 493.86 million yuan, an increase of 40.6 percent over the previous year." FBIS-CHI-94-032, 16 February 1994, p18.

The second law passed was China's territorial law. The law enunciates the waters China claims dominion over. The intent of the law is to enable the PRC to exercise sovereignty over its territorial waters and its right to exercise control over their adjacent areas. This proclamation of national goal interests coincides with most of the PLA-N's bureaucratic goals.[142] Indeed, the law seems to have been virtually written to support the PLA-N.

The maritime bureaucracies viewed the territorial law as authorization to prosecute China's anti-smuggling campaign in international waters. They attacked ships in international waters and in the territorial waters of other countries in the name of "pre-emptive anti-smuggling." Foreigners called this pre-emptive anti-smuggling "piracy."

A. DECISION MAKING

The laws on the Chinese books against smuggling are largely ineffective except during periodic mobilizations to crackdown on smugglers. There is debate as to why this is true of laws in general. One view is that the constant tension between centralization and decentralization allows local interpretation and implementation of laws to suit local situations. Today all provinces, municipalities and towns are "feeling their way across the river one stone at a time." Thus, "official guidelines on any policy [are] broad and ambiguous, giving a great deal of leeway to the leading cadres at each level."[143] This leaves opportunities for wheeling-dealing in the policy implementation agencies: Customs, Public Security and the Coast Guard. The diversity in interpretation of policy is that:

> ...within the bureaucracy the formal regulations tend to be overly constrictive, producing cumbersome procedures and little effective action. Communication, to say nothing of coordination, among officials and bureaus tends to be slow. Hence informal structure of power built through

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[142]See John W. Garver, "China's Push Through the South China Sea," The China Quarterly, December 1992, for a thorough examination of the PLA-N's advances in the South China Sea and the coincidence of bureaucratic and national goals.

[143]Hong Yung Lee, From Revolutionary Cadres to Party Technocrats in Socialist China, (University of California Press, Berkeley, 1991), 8.

> networks often serve as the most effective way of getting the state's business done.[144]

This view presumes the bureaucracy wants to enforce the laws. However, only when the national leadership's policies coincide with the interests of an affected bureaucracy can policy makers reasonably expect policies to be executed as envisioned. When legislation impacts personal interests, i.e., anything which affects a member's material well being or position or that of his personal network, there is the likelihood that the law will be interpreted in a way designed to protect or promote individual interests.

> The process of policy implementation is potentially a situation of tremendous conflict between authoritative decisions of policy makers and individual interests of those directly targeted by the policy. Policy makers have vast formal hierarchical networks through which they can be expected to try to realize their policies; ordinary individuals have pervasive informal networks through which they can be expected to try to frustrate policies that challenge their interests.[145]

The government has considered various reforms to promote compliance with the Politburo's mandate. Holding an implicated bureaucracy's leadership responsible would demand mobilization of guanxi networks at the highest level, which could result in purges. To challenge the networks involved in smuggling would mean calling the Peoples' Liberation Army (PLA) and Public Security to task, at a minimum. But even then there is no guarantee that existing irregularities could be overcome.

Occasionally major violators are executed as a warning to the rest. Campaigns against corruption temporarily affect smuggling, but it is questionable as to whether they attack those responsible rather than those who are sacrificed to protect the operation.

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[144]Lucian W. Pye, Asian Power and Politics: The Cultural Dimensions of Authority, (Belknap Press of Harvard University Press, Cambridge, Massachusetts, 1985), 296.

[145]Melanie Manion, "Policy Implementation in the People's Republic of China: Authoritative Decisions versus Individual Interests," Journal of Asian Studies, (May 1991), 253.

None of these tacks have resulted in a reduction of smuggling. As Harding notes, "a lack of commitment to official values and goals often explains inefficiency, loss of control, poor communication, and corruption within a bureaucracy."[146]

The lack of commitment, which is recognized by the Politburo, influences policy outcomes at most levels of government. Thus, "Central Leadership Enraged at the Involvement of Officers, Merchants, Civilians, Military, and Police in Smuggling Activities, Anti-smuggling Meeting Opens Today in Beijing -- Something Not Seen in a Decade" was the subject of one article.[147]

Beijing created the conditions which resulted in rampant smuggling. China's high taxes and tariffs, often reaching 100 percent, are designed to discourage the consumption of foreign made goods. Smuggling fills the shortages. Consumer goods are readily available for bargaining and distribution to those with the right connections. Personal relations are used to subvert legal taxes and tariffs in a country whose population has money to spend and contempt for shoddy, scarce domestic products.

B. MOTIVES FOR GUANXI

Smuggling has been pervasive since China began to open to the rest of the world in the early 1980s. Much of the smuggling is a one person operation - a fishing boat operator picking up and delivering goods. This did not merit Beijing's attention.

But smuggling operations changed in 1990, as smugglers realized they could outrun the Hong Kong Marine Police in very powerful speedboats called dai fei. By 1991 Hong Kong law enforcement officials estimated that HK$40 million worth of contraband

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[146]Harry Harding, Organizing China, (Stanford University Press, California, 1981), 3.

[147]Hong Kong MING PAO, 4 August 1993, p. 2 in FBIS-CHI-93-149, 5 August 1993, 34.

entered China a day.[148] Another estimate is US$1 billion a year in smuggled goods has come in from Hong Kong every year since 1990.[149]

Organized networks were able to bring in large cargoes. The smugglers' ships carried more goods than appeared on their manifest. When they pulled into port they offloaded the unmanifested goods. Their connections ensured they did not pay taxes and tariffs on the undocumented portion of their cargo. Large ships also offloaded to smaller ships while at sea, letting them smuggle the goods to shore all over the Chinese coast, avoiding official inspection altogether.[150]

The new higher level of smuggling caught Beijing's attention. Large scale smuggling organizations developed with networks that included law enforcement officials. The range of official participation varied. Some received a payoff from smugglers for their non-interference. Others were instrumental in promoting smuggling. This system financially benefitted everyone except Beijing.[151]

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[148]Stacy Mosher, "No-man's land," Far East Economic Review (FEER), 16 July 1992, 32.

[149]Anthony Blass, Smugglers' Outpost," FEER, 24 June 1994, 34.

[150]Newspaper writers usually indicate whether a ship was carrying a fully manifested cargo or not. For instance, Westlake states, "The only crime committed in Hong Kong, apart from the theft of cars, is that of carrying unmanifested cargo...." and "Shipping company representatives initially pointed out that the cargoes...were properly manifested." Michael Westlake, "But is it safe?," FEER, 19 November 1992, 46. The difference between piracy and anti-smuggling appears to hinge on whether the paperwork is filled out correctly or not.

[151] May 29 1994, four smugglers, including the head of a municipal commerce bureau and a political commissar, were executed for their smuggling operations. One official had ordered his staff to provide armed escorts for traffickers, extorting escort fees and pocketing a bribe.

One bureau issued a regulation contrary to existing laws which stipulated that state functionaries or enterprises involved in smuggling would be "fined without having their original capital confiscated," provided they "confess voluntarily" to the bureau. This was determined to be surreptitiously encouraging smuggling.

Zhu, vice-president of the Supreme People's Court, said China has cracked a number of smuggling cases and severely punished the smugglers....He then described these two cases as "typical," with crimes characterized by the involvement of "a

By 1992 the Chinese government realized they could not deter smuggling with the threats and incentives they had in place. Eliminating smuggling probably was not viewed as a realistic option, given the powerful interests involved. A satisfying middle ground needed to be found, one that promoted an acceptable level of compliance with the law. Thus, bounties were offered. This was a direct accommodation of the personal interests of law enforcement officials. The bounty unintentionally increased smuggling and turned the bureaucrats' eyes toward seemingly state-sanctioned piracy.

Although I do not know which particular document promulgated the payment of bounties for smuggled goods, by September, 1992 the International Maritime Bureau (IMB) in London was receiving more reports regarding piracy in the Hainan-Luzon-Hong Kong (HLH) triangle than anywhere else in the world.

> A ruling that customs officials could keep 50 percent of the proceeds of contraband goods intercepted led to the ships being stopped at the source - just outside Hong Kong waters - and their cargoes confiscated without compensation.[152]

The bounty was compensation for ensuring the Chinese government received 50 percent. Maritime officials zealously executed the policy. However, they were not co-opted into collecting the bounty at the expense of their networks. The anti-smuggling campaign was executed selectively, usually against foreigners. Foreigners called the anti-smuggling interceptions piracy, particularly when their cargo and sometimes even their ships were detained or confiscated without legal recourse. The Territorial Law merely allowed the perpetrators more freedom to operate outside of China's internationally recognized territorial waters.

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considerable number" of officials, state agencies, organizations and enterprises, and huge amounts of state funds siphoned off.

Another feature reflected in the crimes is the collusion between smugglers and law enforcement officers, Zhu said, adding that such link-ups have played an increasingly essential role in setting off rampant smuggling activities. "Smuggling Officers Sentenced to Death," Beijing Review, 13-19 June 1994, p 5-6.

[152]Michael Westlake, "Hot Pursuit," FEER, 16 June 1994, 26.

C. PLA-N, BOUNTY AND TERRITORIAL LAWS

The PLA-N's interpretation of the two laws differed from that of the coastal patrols. The Territorial Law was key because it underscored the PLA-N need for a larger slice of the budget for new, modern ships and planes. The Law also justified patrolling far at sea and practicing gunboat diplomacy and interoperability with the marines. It could be interpreted as sanction of the harassment of ships of foreign countries, and an opportunity to test equipment.

Thus, complying with the directive to wage anti-smuggling was merely another facet of the PLA-N's mission in upholding directives from Beijing. It was not a primary mission. The PLA-N tended to conduct their anti-smuggling campaign without resorting to piracy.[153]

The maritime agencies would not be organizationally impacted if either law were rescinded. It is questionable as to whether their members would be financially worse off without the bounty. The PLA-N, on the other hand, did not want the Territorial Law they had fought hard for revisited. Their stake in executing regulations in the spirit Beijing intended was far greater than that of the maritime bureaucracies.

D. STUDY SELECTION

The case studies are divided into two groups. The first is the Hainan-Luzon-Hong Kong (HLH) triangle, which includes Guangdong. The HLH triangle attacks appear to be carried out purely for personal financial gain. The beneficiaries are at the local level. These are the attacks carried out primarily by the coastal patrols.

The second study covers attacks in the Yellow and East China Seas. These interceptions appear to be conducted more frequently by the PLA-N, whose motivation

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[153]"Japanese Maritime Safety Agency (MSA) officials say that most of the incidents took the form of forced inspection rather than piracy. "The Chinese would board a vessel and ask to see the ship's documents, but would not normally take money or goods," an official said.", Charles Smith, "Abrupt Change," FEER, 16 June 1994, p. 28.

appears to be bureaucratic and perhaps political rather than financial (see map). PLA-N attacks are hotly defended by Beijing as legitimate law enforcement activities.

E. DATA COLLECTION

The incompleteness of data regarding which bureaucracy is involved in piracy has many facets. Although many ships were attacked by men in uniform who spoke Chinese, there is not a way to verify which agency they belonged to. China vehemently claims that the PLA-N is not involved and that piracy was primarily conducted by "rogue elements" of various agencies, or by "people impersonating government employees."[154]

The number of attacks is under-reported. The fact is that many ships are engaged in smuggling, and there is little reason to report to an insurance company that contraband cargo was seized. Moreover, there is a great reluctance on the part of some governments, particularly Hong Kong's, to confront the Chinese with accusations of promoting state sponsored piracy.

And finally, but most important to case #1, there is no hard evidence of the patron-client networks that may be at the heart of choosing which ships to attack. GUANXI is central to organized smuggling, as demonstrated by the decision to co-opt governmental perpetrators rather than fight them. I posit that piracy is also controlled by GUANXI, due to the likelihood that "rules" would be implemented at the local level to ensure that ships outside of a local network were the primary targets.

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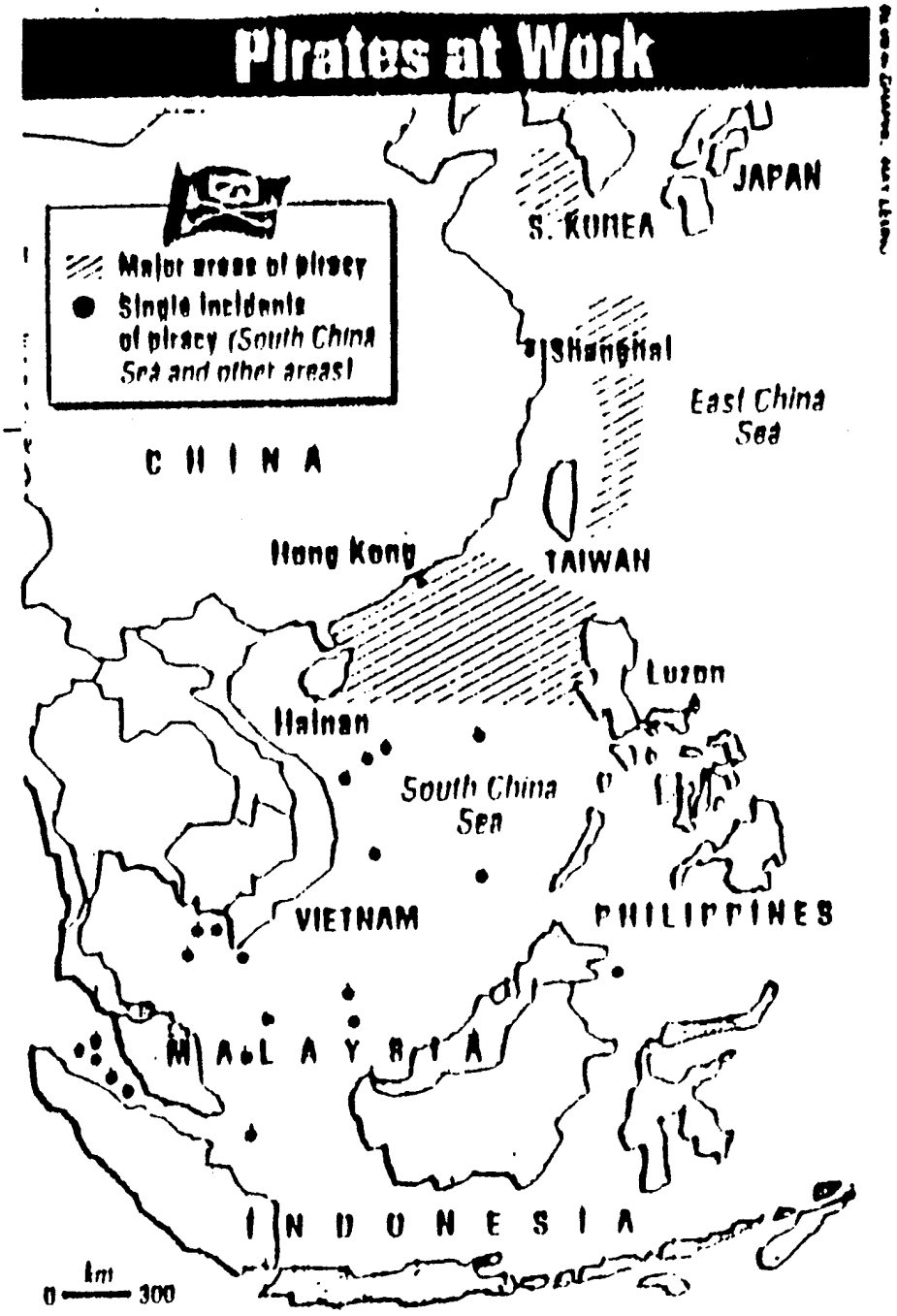
[154]"...Chinese naval and security forces' uniforms [were] often worn by the same people at different times, so that it was virtually impossible for outsiders to identify the actual units involved." Michael Vatikiotis, et. al., "Gunboat Diplomacy," FEER, 16 June 1994, 22.



Source: Far East Economic Review.

Major Areas of Piracy

CASE #1: THE MAJOR AREA PLAYERS

There is growing corruption committed by Hong Kong officials as bureaucrats deal with low morale and job insecurity.

> Figures for corruption incidents that have been reported to the ICAC (Independent Commission Against Corruption) in the past few years show that the police account for about 20 percent of all cases and all other government departments for another 25 percent.[155]

One specific example: in 1993 a major smuggling syndicate was exposed, the largest government corruption case in a decade in Hong Kong, involving nine middle-ranking Customs officers.[156] This syndicate was implicated in Guangdong smuggling. Hong Kong officials may participate in smuggling to the point of fingering which ships are carrying unmanifested or stolen cargo to Chinese officials.

Other Chinese groups who may not actually be involved with overt criminal syndicates provide indirect support.

> Hong Kong police have learned that the four engined, 60-knot dai fei boats used to smuggle goods from the colony to China are being manufactured in a factory owned by a unit of China's People's Liberation Army.[157]

A dai fei can load a car and make the run from Hong Kong to the mainland in 18 minutes. They are outlawed in Hong Kong but not China. Hong Kong police believe these boats have no other purpose than smuggling.

In December of 1991 sightings of dai fei rose to 1,000 a month.[158] Although Hong Kong officials encourage Chinese officials to work with them to combat smuggling, their success is limited.

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[155]Tai Ming Cheung "Border Bonanza," FEER, 25 February 1993, 16.

[156]Ibid.

[157]FEER, 30 April 1992, 8.

[158]Stacy Mosher, "Untamed frontier," FEER, 2 April 1992, 15.

> The PLA handles much of China's anti-smuggling activity, often with confiscated dai fei. In fact, boats that lack identifying marks highlight the key conundrum of Huizhou - determining whose side the authorities are actually on.[159]

Hainan is a free-wheeling Special Economic Zone, proud of its Wild West reputation. There is no doubt that officials in Hainan are involved in illegal activities, even if they are not always prosecuted for them.

> One of China's biggest corruption cases occurred in Hainan in 1985, when officials imported 90,000 cars duty-free - as allowed on the island - and re-sold them on the mainland, evading import duties that exceeded 150 percent and depriving Beijing of US$1 billion in revenue. Ultimately, the officials received a slap on the wrist, because the law never specifically forbade their offense. The island's statutes continue to lag entrepreneurial creativity, and enforcement is notoriously lax.[160]

The most salient feature of Hainan with regard to smuggling and piracy is its geography - it sits astride the Hong Kong-Vietnamese smuggling routes. While smuggling is fairly peaceful between Hong Kong and Guangdong, Vietnam-bound ships are frequently attacked. The area attracts law enforcement officials from other provinces, looking for easy prey. There is competition to claim non-network ships for bounty. This is the primary reason enforcement efforts occasionally cross into other countries' territorial waters.

The Vietnamese (and others) complain that the Chinese should not stop ships leaving Hong Kong with unmanifested cargoes if they are not going to China. While this is a piracy issue to foreigners, to the Chinese is a matter of semantics. The cargo is destined for China, but it will land in Vietnam, crossing the Chinese border by land rather

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[159]Stacy Mosher, "No-man's land," FEER, 16 July 1992,32.

[160]Kari Huus, "One Province, No System," FEER, 2 June 1994, 46.

than sea.[161] China says the cargo is contraband, and they have a right to prosecute their anti-smuggling campaign where ever they catch smugglers, even if it is in international waters or another country's territorial waters.

F. OPERATION AND CHANGE

Beijing had little reason to doubt that the bounty system would be implemented. The vastness of the compensation offered should have made for effective compliance. But the bounty system did not destroy the arrangements that ensured the Chinese networks' success. Instead, with the cover of attacking foreign ships, smuggling actually increased. There are too many ships to stop all of them. With that fact as a starting point, implementation was selective. Those outside the networks were attacked and their cargo seized. "There is no question about the opportunities and rewards of guanxi, but only the Chinese themselves know exactly how each system operates".[162] For outsiders:

> ...attacks are taking place far and wide across the South China Sea. All-too-familiar reports from captains under fire from "PRC officers in green uniforms firing automatic rifles" have been picked up...Captains and crews usually end up in tiny Guangdong ports, their cargo seized by provincial security officials and demands made for cash for the release of the ship and crew.[163]

Provincial units, vying with each other for bounties, appeared vigilant and deflected attention from their networks, where the main payoff remained.

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[161]Vietnam's smuggling operations are usually across its land border and are so commonplace that Westlake states, "The situation with the Vietnam-bound ships is different, and doesn't involve piracy....Unfortunately, the dividing line between anti-smuggling operations and attempted piracy became blurred because of several instances of ships not involved with the Vietnam trade being shot at from Chinese-based small craft south of Hong Kong." "But is it safe?" FEER, 19 November 1992, 46.

[162]Claude A. Buss, Naval Postgraduate School, lecture series on China, 10 November 1994.

[163]Greg Torode, "Pirates Under Attack," South China Morning Post, 12 March 1994.

> Local authorities clamp down on every fifth or sixth dai fei that roars through their jurisdiction - enough to demonstrate official diligence, but not enough to discourage smugglers with their tokens of gratitude for cooperation.[164]

The problem thus became threefold. **First**, smuggling was not deterred. A Hainan official stated, "Smuggling is on the rise,... and we should continue to deal a severe blow at smuggling and should never lower our guard in this respect".[165]

Second, piracy attracted international attention, causing the national government to lose face. A primary reason for the attention was the interception of ships outside Chinese territorial waters.

> The episode was not uncommon in itself - almost identical incidents had occurred six times since the beginning of the year, following 17 during 1993. What made this interception unusual was that it happened three kilometres inside Hong Kong waters....[166]

The frequently violent methods used by the patrols also attracted international attention. July of 1993 a North Korean cargo ship was chased for 19 1/2 hours. The crew reported that fourteen bandits armed with automatic weapons jumped onto the deck. Crewmen were wounded and the pilot room was riddled with hundreds of shots.[167] The Chinese admitted responsibility, saying border defense craft raided the ship in an anti-smuggling operation, and excessive force was not used.[168]

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[164]Mosher, "no-man's land," FEER, 33.

[165]FBIS-CHI-93-167, 31 August 1993, 20-21.

[166]Michael Westlake, "Hot Pursuit," FEER, 16 June 1994, 26.

[167]"Armed Bandits Commit Piracy Against DPRK Cargo Vessel," Pyongyang KCNA, FBIS-EAS-93-134, 15 July 1993, 6-7.

[168]"Hong Kong South China Morning Post, FBIS-CHI-93-138, 21 July 1993, 8.

Third, ships that were not engaged in smuggling were attacked. Some obviously were not carrying consumer goods, such as tankers. These strikes were designed to show diligence.

The fact is that many of the ships in addition to the Vietnamese were involved in smuggling. The Chinese claimed to be carrying out pre-emptive law enforcement operations, and stated they would continue to do so regardless of a ship's origination or destination.

G. THE U.N. INTERNATIONAL MARITIME ORGANIZATION (IMO) AND CHINA'S REACTION

A 1993 International Maritime Bureau (IMB) London report referred to the HLH triangle as the most dangerous area for shipping in the world.[169]

In March 1994 the United Nation's IMO visited Hong Kong. Hong Kong officials, although very reluctant to implicate China in piracy, did finally submit a report to the IMO detailing attacks taking place in all the waters China claimed jurisdiction over. The muted nature of the report, relying strictly on distress signals and ignoring civil servant input, probably would not have garnered much of a reaction, had not the Hong Kong Shipowners Association, working with the local press, presented its view of the problem via the newspapers.

> CONFIDENTIAL government papers reveal that Chinese officials are responsible for half of nearly 100 attacks on shipping...About 47 attacks - many violent with tens of rounds of bullets fired on ships leaving Hong Kong - describe clear Chinese official involvement, identifying police, Customs, naval and army officers right down to serial numbers of patrol vessels.[170]

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[169]Jonathan Hill, "Piracy papers in the open," Hong Kong Standard, 16 March 1994.

[170]Greg Torode, "HK exposes China piracy," South China Morning Post, 16 March 1994, 1.

Clearly the Chinese had crossed the line as far as the ship owners were concerned, and ship owners played their hand well for their international audience.

CASE #2

China's 1992 Law of the Sea, coinciding so neatly with the rise of piracy, has led some to speculate that the anti-smuggling campaign is a means to further assert sovereignty.[171]

The anti-smuggling operations further PLA-N bureaucratic goals and demonstrated their commitment to national goals. They attempted to conduct a legitimate anti-smuggling campaign rather than resort to piracy. As noted above, individual naval personnel who wanted to profit from the bounty changed their uniform and went out on non-PLA-N craft.

A Panamanian-registered, Nanshin Maru, a 926 ton freezer cargo vessel, was boarded 60 kilometers from a Japanese island, but allowed to continue its voyage, without incident. This was probably the PLA-N conducting "legitimate" anti-smuggling activity, without engaging in piracy. Japan's Maritime Safety Agency logged "78 cases of warning shots, quarantine inspections and tailings in the East China Sea between March 1991 and June 1993, mostly non-violent and without seizing cargo".[172]

The Russians bore the brunt of many attacks. They were victims in 17 of 20 IMB reports regarding the East China Sea, at which point they deployed a naval flotilla and threatened to blow pirates out of the water.[173]

> ...the Chinese have had a hand in this tyranny at sea. Thus, the question follows: Is this happening with the blessings of the authorities, or without their knowledge? In unofficial talks, Chinese officials remarked that Peking recently adopted a decision to unfurl a decisive battle against maritime smuggling. However, the Chinese interviewed admitted that under the

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[171]Michael Vatokiotis, Michael Westlake and Lincoln Kaye, "Gunboat Diplomacy," FEER, 16 June 1994, 22.

[172]Charles Smith, "Abrupt Change," FEER, 16 June 1994, 28.

[173]Vatikiotis, et. al., "Gunboat Diplomacy," FEER, 16 June 1994, 22.

> cover of this battle against smuggling, several fisherman and "bad elements" (i.e., criminals), are stopping and plundering passing ships.[174]

The PLA-N, despite attempts to conduct a legitimate anti-smuggling campaign, virtually ceased the operation in August 1993, the same time the Russians sent warships into the international waters off of China.[175] Coincidentally, China began another anti-smuggling campaign the same month, combined with an anti-corruption campaign. The PLA-N may have decided to get out of the anti-smuggling business since it had overtones of corruption, and let the maritime agencies conduct the campaign in their own way. They could also have decided to concentrate on other maritime issues, such as the Spratlys.

H. CONCLUSION

The issue of smuggling underscores several Chinese themes. First, the single-minded pursuit of smugglers resulted in unexpected consequences. Piracy was not foreseen when the central government weighed the costs and benefits of offering a bounty to Customs officials.

Second, although Public Security was obviously participating in smuggling, the laws that were the result of the United Nations inspection applied to Customs and the Coast Guard as well, indicating that they were also major players.

Third, the consequences of the PLA-N's campaign were a surprise. That most Northeast Asian countries' warships would patrol the high seas to specifically deter the PLA-N was not predicted.

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[174]IZVESTIYA, 13 July 1993, 3 in FBIS-USR-93-097, 28 July 1993. The article goes on the note that "Unfortunately, the proprietors of our own vessels also frequently give cause for conducting searches. Having transported cars and other goods to various ports in China, Russian companies do not always fill out their cargo documents correctly. For example, the Russian vessel the "Pan-Mari," having gone to China under the flag of Panama, had no documentation at all for a number of the cars it was carrying."

[175]"It's interesting that piracy attacks in the region have virtually ceased since August 1993, since the groups of Russian, South Korean, Japanese and Republic of China (Taiwan) naval vessels started patrolling this area." Asian Defence Journal, September 1994, 109.

Fourth, China did not expect an international calling down and the loss of face it entailed. They were forced to acknowledge that there might be a few "irregularities" in its law enforcement officers' actions and that "occasionally" ships beyond China's territorial waters were stopped. They rejected the notion of state-sponsored piracy or that the PLA-N had committed unlawful acts.

This narrative demonstrates that Beijing is not able to direct outcomes, despite having a monopoly on political power and law-making. The forces that engender compliance in other countries, whether fear or a stake in the process, are in remission in China to the point that some local governments even enacted laws that encouraged smuggling.

Many forces militate against using the legal system as a foundation of regime legitimacy. First, much of the population still believes laws are for those who are seeking an alternative to an inadequate network. Second, the Politburo's unwillingness or inability to enforce mandates and the enthusiasm people have for disregarding or misinterpreting laws makes voluntary compliance shaky.

Additionally, because of powerful networks at the top, there is a reluctance to attack problems which might cause a leader to resort to his personal networks. Laws are for handling largely peripheral matters. Something so blatantly involving guanxi as smuggling cannot be confronted head-on. Law enforcement is a secondary concern when such powerful networks as the PLA and Public Security are involved. Consensus, even at a very low level, is usually preferable to factionalism.

The efforts involved in consensus building mean most laws are general guidelines, subject to local interpretation, providing those who enforce the laws wide discretion. There is an array of options, from full compliance to lip-service. Given the same laws, bureaucracies can choose widely different interpretations.

The Chinese have learned that laws can quickly change. The bounty could be eliminated. Supporting today's program can doom you later. An informal network is far more long lasting, provides far more security, and is therefore more valuable, than laws. When the two clash, invariably the network will win.

From Deng on down survival is dependent on the resiliency and loyalty of one's personal relations. The incentive has not been found that convinces individuals to abandon their personal networks in favor of reliance on laws for protection and material advancement. Officials may be attempting to legally counter smuggling, but the networks remain.

IX. CONCLUSION

Guanxi and bureaucratic position are the traditional sources of power in China, and remain so today. The Chinese people are currently more interested in pursuing wealth than the rule of law. They are keenly aware that laws are designed to protect the prerogatives of a few, as has always been the case, rather than create a system founded on notions of equality and fairness. Most Chinese still find the image of a wise and good father, strong enough to ensure stability, preferable to the open competition and conflict they see in the West. They want individuals with whom they have particularistic ties in charge of decision making. They do not want a level legal playing field, if circumstances can be influenced in their favor. The desire for particularistic ties has not succumbed to wealth; if anything, decentralization and opportunity have increased reliance on networks to maximize possibilities.

Those who are less able to exploit their connections or see their gains lost to inflation - portions of the rural population, state workers, students, retirees and such, decry squeeze and economic policies that no longer protect nor provide preferential treatment. The state attacks corruption when its interests are at stake, but gifts and nepotism are part of doing business and providing for your network.

The elite is still trying to change the nature of the bureaucracy and bureaucrats. Structural changes include a retirement system and the promotion of technocrats over ideologues. Administrative laws limit prerogatives when enforced. Some regularization has taken place. The shift from Mao's timid and vacillating bureaucracy to Deng's assertive and rapacious bureaucracy has vastly increased the country's wealth, without developing tools to curb its excesses.

Annual anti-corruption campaigns, in which thousands are purged from the party, are the primary tool for curbing the most flagrant abuses, i.e., cheating Beijing of revenue. Exceptional cases many result in physical punishment or even death, but seldom for the very well connected. The power of networks is such that within a decade, most of the leaders of the Hainan car smuggling operation were returned to power in Hainan. Where the leaders lead, the followers follow.

Appeals to personal interest, such as offering a bounty to Customs officials, do not necessarily foster desired outcomes. Smuggling increased and piracy largely shifted from the fishing fleet to state agencies. Skewed incentives are the hallmark of policy making based on factional and personal requirements.

Appeals to nationalism and professionalism go unheeded - those who make the appeals have committed their own abuses. No one rises in the system strictly or even primarily on merit. Patrons and clients distribute perks and promotions.

Deng has promoted modernization without a blueprint. His success lies in his willingness to accept experimentation in the economic arena. What is successful in one province is widely heralded by the leadership as an example for others to learn from and modify. "Feeling the way across the river one stone at a time" ensures that one foot is firmly planted in the past while the currents are tested. The Chinese have recovered from the economic mis-steps because they do not move in lock-step.

Economics is both the common denominator and the divider of the elite. All agree on the need to modernize. The pace of modernization and the role foreigners should play divide the Politburo. Economic policies are part of the battleground for succession and political power. Zhao Ziyang was discredited for the 1988 inflation rates. Deng withdrew his support from his heir apparent long before Tiananmen completed the fall. Bureaucratic delays to building projects and infrastructure are attributed to a desire to discredit Zhu Rongji, a proponent of cutting the bureaucracy by one million people. The delays, particularly to power plants, affect the country's output and growth - a secondary consideration when attacking a perceived enemy.

The passive acceptance of arbitrary rule engendered by economic success is slowly dissipating. Beijing's interference in regional deal making has cut into profits. Provinces push for decentralization.

Many groups are restive because they fear the changes capitalism requires. Seventy million workers in state-owned industries want an iron rice bowl indefinitely. Interior provinces resent the Special Economic Zones on the coast and the concomitant unequal distribution of wealth. The peasantry is moving to the cities, where social services do not exist. They have become a 100 million strong floating population.

The conflict between those who want less government interference and those who want a government that takes care of them presents policy challenges the elite and bureaucracy are unable to rise to. Nevertheless, solutions are sought. The need to attract foreign capital has led to diffusion in information gathering. To sdolve these problems the political elite is turning to a new elite, "out" groups to formulate policy and programs. Technocrats, industrialists, businessmen, intellectuals and lawyers form the new "out" groups, as do institutions and policy committees created by leaders specifically to formulate policy. Special interests are articulated through some proposals. Requirements beyond personal considerations also emerge. The bureaucracy no longer has a lock on formulating policy. It may be by-passed altogether in some instances.

The new elite, with ties to the international business and intellectual communities, may push for acceptance of international norms and laws. Acceptance would require the Chinese elite recognizing a benefit to playing by rules it had no voice in creating, an unlikely scenario given their ability thus far to entice foreigners to invest and adapt to Chinese ways. Relations with foreigners essentially means getting what you can without promising anything concrete in return. As long as businesses act as if China is the best game in town, they will not get reciprocity. Nevertheless, the possibility remains that new elites will see a benefit to maintaining Western interest, even if it requires modifying their own proclivities.

As new elites emerge, opportunities exist to cultivate their members and influence the acceptance of international norms. Other elites want to increase ties with the outside world. The PLA wants technical assistance. The United States stopped its military exchange programs with China after Tiananmen. These could be re-initiated to the benefit of both sides.

Wealth has also led to the formation of special interest groups, who expect special considerations. This largely translates to spreading protection to a growing minority rather than changing the concepts on which power are based.

New leaders are emerging in the Party. Zhao and Hu both were willing to consider increasing political participation. Their motivation probably had nothing to do with feeling individuals have the right to a say in how they are ruled. It may have been a pragmatic

recognition that new elites need to be co-opted and their wealth and talents channelled by the system. These elites would have a much greater say in setting the political agenda from inside the system than without.

Foreigners have the ability to affect the pace of modernization and codification of laws. So far they have made little headway in ensuring contracts and laws are followed by. Contracts and civil problems have traditionally been decided by loyalties and arbitration rather than impersonal concepts. Unfortunately, westerners usually conform to Chinese ways rather hold out for western norms.

The elite and the bureaucracy are dedicated to maintaining their place in the hierarchy. The "in" groups, through nepotism and guanxi, remain the locus of power.

As demonstrated in the case study, bureaucrats are free to interpret and enact policy as is best suits them. Because much of policy is the result of personal considerations, incentives are often at odds with desired goals.

Traditional notions regarding the absolute nature of power and its prerogatives have not been disavowed by the mostly apolitical Chinese population. Tiananmen was largely a student reaction to inflation and poor living conditions. As in the past, dissatisfaction could not be expressed in demands that reflected "selfishness" and disregard for the collective good. Conflict, always framed in ideological terms, slowly revolved from general, nonspecific protests to calls for democracy. In reality, few supported the overthrow of the CCP, but rather, better guarantees from the state. There are no alternatives, legitimate or otherwise, to CCP rule.

Success still comes to those in the bureaucracy with the best guanxi. Special interest groups, factional politics, and personal intrigues still play their respective roles in decision making. Responsible leaders and foreign venture capitalists who together are fuelling the economic development of China have need of each other. They will, of course, play the game as is required by laws and regulations, but in addition will take every advantage of guanxi - their respective personal networks. As China opens up more and more to the standards and ways of the western world it cannot be expected to disregard the modes of operation which have enabled their society to survive through the centuries.

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